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**LONG-TERM FARM POLICY TO SUCCEED THE
AGRICULTURE AND FOOD ACT OF 1981
(Agricultural Efficiency and Equity Act of 1983)**

HEARING

BEFORE THE

**COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES**

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 4565

**TO ESTABLISH THE FARM AND CROP ACREAGE BASE AND PROGRAM
YIELD SYSTEM TO PROVIDE MORE EFFICIENT, EQUITABLE, FLEXIBLE,
AND PREDICTABLE PROGRAMS FOR FARMERS**

NO RECORD ONLY:

MAY 2, 1984

**Serial No. 98-70
PART 2**



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AGRICULTURAL EFFICIENCY AND EQUITY ACT OF 1983

WEDNESDAY, MAY 2, 1984

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The committee met, pursuant to notice, at 10:10 a.m., in room 1306, Longworth House Office Building, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Jones of Tennessee, Harkin, Bedell, English, Panetta, Huckaby, Daschle, Stenholm, Volkmer, Tallon, Durbin, Evans of Illinois, Olin, Penny, Hopkins, Roberts, Emerson, Skeen, Morrison, Gunderson, Evans of Iowa, and Franklin.

Also present: Representative Smith of Nebraska.

Staff present: Robert T. Lowerre, associate counsel; John E. Hogan, minority counsel; Mark Dungan, minority associate counsel; Glenda L. Temple and Peggy L. Pecore, clerks; Steven McCoy, Bernard Brenner, Gerald W. Welcome, Eugene Moos, Brenda Hatton, William E. O'Conner, Jr., and Carol Ann Dubard.

The CHAIRMAN. The committee will be in order.

Since we meet this morning to receive testimony, the Chair is going to commence the hearing while we await the arrival of other members.

We are receiving testimony today on H.R. 4565, the Agricultural Efficiency and Equity Act, by Mr. Stenholm.

[The bill, H.R. 4565, follows:]

(1)

98TH CONGRESS
1ST SESSION

H. R. 4565

To establish the farm and crop acreage base and program yield system to provide more efficient, equitable, flexible, and predictable programs for farmers.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 1983

Mr. STENHOLM (for himself, Mr. ROBERTS, Mr. BEDELL, and Mr. MARLENEE) introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To establish the farm and crop acreage base and program yield system to provide more efficient, equitable, flexible, and predictable programs for farmers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SHORT TITLE**

4 **SECTION 1.** This Act may be cited as the "Agricultural
5 Efficiency and Equity Act of 1983".

6 **TITLE I—ACREAGE BASE AND PROGRAM YIELD**
7 **SYSTEM**

8 **ESTABLISHMENT OF PROGRAM**

9 **SEC. 101.** There is established the farm and crop acre-
10 age base and program yield system for the purpose of provid-

1 ing efficiency, equity, flexibility, and predictability in pro-
2 grams for farmers.

3 **FARM ACREAGE BASE**

4 **SEC. 102. (a)** The Secretary shall provide that for each
5 farm on which at least one program crop was produced
6 during at least one of the five crop years immediately preced-
7 ing the 1986 crop year there shall be established and main-
8 tained a farm acreage base, which shall be determined in the
9 manner provided in subsection (b), for the purpose of provid-
10 ing a limitation on the number of acres which may be devoted
11 to the production of all program crops on such farm in any
12 crop year.

13 (b)(1) The farm acreage base for any crop year begin-
14 ning after the 1985 crop year for any farm referred to in
15 subsection (a) shall be the number of acres which is equal to
16 the average of the total acreage planted to all program crops
17 on such farm in each of the five crop years immediately pre-
18 ceding any such crop year.

19 (2) For the purpose of determining the farm acreage
20 base for the 1986 crop year for any farm referred to in sub-
21 section (a), the county committee for the county in which
22 such farm is located may construct a planting history for such
23 farm if—

1 (A) planting records for such farm for any of the
2 five crop years preceding the 1986 crop year are in-
3 complete and unavailable; or

4 (B) no program crop was produced on such farm
5 for at least one crop year of the five crop years preced-
6 ing the 1986 crop year of such crop.

7 CROP ACREAGE BASE

8 SEC. 103. (a)(1) The Secretary shall provide that a crop
9 acreage base shall be established and maintained for each
10 program crop produced on each farm referred to in section
11 102(a), which shall be determined in the manner provided in
12 subsection (b), for the purpose of providing a limitation on the
13 number of acres which may be devoted to the production of
14 such crop on such farm in any crop year.

15 (2) The sum of the crop acreage bases for all program
16 crops produced on any farm for any crop year shall not
17 exceed the farm acreage base for such farm for such crop
18 year.

19 (b)(1) The crop acreage base for any program crop for
20 any crop year beginning after the 1990 crop year for any
21 farm referred in section 102(a) shall be the number of acres
22 which is equal to the average of the total number of acres
23 planted to such crop on such farm in each of the five crop
24 years preceding such crop year.

1 (2) The crop acreage base for any program crop for the
2 1986 crop year for any farm shall be the number of acres
3 specified, in accordance with section 107(a)(3), by the pro-
4 ducer to the county committee for the county in which such
5 farm is located before the time specified in the subparagraph
6 of section 104(c)(2) relating to such crop.

7 (3) The crop acreage base for any program crop for the
8 1987, 1988, 1989, or 1990 crop year for any farm shall be
9 the number of acres which is equal to the average of the total
10 acreage planted to such crop on such farm—

11 (A) in the 1986 crop year, and

12 (B) in any crop year which begins after the 1986
13 crop year and ends before the crop year for which the
14 determination is being made.

15 **ADJUSTMENT OF CROP ACREAGE BASES BY PRODUCERS**

16 **SEC. 104. (a)** Any producer may, by submitting notice
17 to the county committee before the time specified in subsec-
18 tion (c) with respect to any crop year, increase or decrease
19 the crop acreage base for any program crop for any farm for
20 such crop year to the extent provided in subsection (b), sub-
21 ject to the limitation contained in section 103(a)(2).

22 (b)(1) The adjustment of any crop acreage base for any
23 farm under subsection (a) shall be allowed only to the extent
24 that the number of acres by which any crop acreage base is
25 increased (or, in the case of an increase in the crop acreage

1 bases for two or more program crops, the sum of the number
2 of acres by which each such crop acreage base is increased)
3 does not exceed the number of acres which is equal to 25 per
4 centum of the farm acreage base for such farm for such crop
5 year.

6 (2) In addition to the limitation contained in paragraph
7 (1), no crop acreage base for any program crop for any crop
8 year may be increased by more than the number of acres
9 which is equal to the crop acreage base for such crop year
10 before such increase is made.

11 (c) Any adjustment by any cooperator of any crop acre-
12 age base for any program crop for any crop year for any farm
13 must be reported to the county committee of the county in
14 which such farm is located before the first day of the sixty-
15 day period ending on—

16 (1) the date required by law for the announcement
17 by the Secretary of any acreage or supply control pro-
18 gram with respect to such crop for such crop year; or

19 (2) in the case of—

20 (A) wheat, the July 1 immediately preceding
21 the beginning of such crop year;

22 (B) feed grains, the September 30 immedi-
23 ately preceding the beginning of such crop year;

1 (C) upland cotton, the November 1 immedi-
2 ately preceding the beginning of such crop year;
3 and

4 (D) rice, the January 1 immediately preced-
5 ing the beginning of such crop year,

6 whichever date occurs first with respect to such crop for such
7 crop year.

8 **ELIGIBILITY OF PRODUCERS FOR PRICE SUPPORT AND**

9 **OTHER BENEFITS**

10 **SEC. 105. (a) No producer shall be eligible for any loan,**
11 **purchase, or payment relating to any program crop produced**
12 **on any farm by such producer for any crop year unless such**
13 **producer is a cooperator with respect to such farm for such**
14 **crop year.**

15 **(b) Any producer shall be treated as a cooperator for**
16 **any crop year with respect to any farm if such producer has**
17 **established and maintained a farm acreage base for such crop**
18 **year for such farm and a crop acreage base for such crop year**
19 **for each program crop produced on such farm unless—**

20 **(1) the number of acres planted to all program**
21 **crops on such farm by such producer for such crop**
22 **year exceeds the farm acreage base for such farm for**
23 **such crop year, or**

24 **(2) the number of acres planted to any program**
25 **crop on such farm by such producer for such crop year**

1 exceeds the crop acreage base for such crop for such
2 farm for such crop year.

3 (c) The Secretary may suspend, on a nationwide basis,
4 any farm acreage base limitation, any crop acreage base limi-
5 tation with respect to any program crop, or any limitation
6 contained in section 104(b) (relating to increases in crop acre-
7 age bases) with respect to any program crop if the Secretary
8 determines that—

9 (1) a supply shortage of any such crop, or other
10 similar emergency situation, exists with respect to any
11 such crop; or

12 (2) market factors exist which require the suspen-
13 sion of any such limitation in order to achieve the pur-
14 poses of the program.

15 **PROGRAM YIELD**

16 **SEC. 106. (a)** For the purpose of determining the
17 amount of any loan, purchase, or payment for any program
18 crop for any crop year under any provision of law which re-
19 quires the yield for such crop to be taken into account, the
20 Secretary shall provide that a program yield shall be estab-
21 lished for each such crop for any farm which shall be deter-
22 mined in the manner provided in subsection (b).

23 (b)(1) Subject to paragraphs (2) and (3), the program
24 yield for any program crop for any crop year for any farm
25 shall be the average of the actual yield per harvested acre for

1 such crop for such farm for each of the five crop years imme-
2 diately preceding such crop year, other than (of such five
3 crop years) the crop year with the highest yield per harvested
4 acre, the crop year with the lowest yield per acre, and any
5 crop year in which such crop was not planted on such farm.

6 (2) The program yield for any program crop for any crop
7 year for any farm shall not be more than 110 per centum or
8 less than 90 per centum of the program yield for such crop
9 for the immediately preceding crop year for such farm.

10 (3) The program yield for any program crop for the
11 1986 crop year shall not be less than 90 per centum of the
12 yield established for such crop under the Agricultural and
13 Food Act of 1981 (95 Stat. 1213).

14 (c) Subject to such regulations as the Secretary may
15 prescribe, the county committee for any county may adjust
16 any program yield for any program crop for any farm within
17 such county if the committee determines that a significant
18 change in any farming practice on such farm will materially
19 and permanently affect the yield for such crop on such farm.

20 (d) In the case of any farm for which the yield per har-
21 vested acre for any program crop referred to in subsection
22 (b)(1) for any crop year is not available, the county committee
23 for the county in which such farm is located may assign such
24 farm a program yield for such crop for such crop year on the
25 basis of actual yields for such crop for such crop year on

1 farms which the committee determines are similar to such
2 farm with respect to size, location, and farming practices.

3 **RESPONSIBILITIES OF COUNTY COMMITTEES**

4 **SEC. 107. (a)(1)** For each crop year beginning after the
5 1985 crop year, the county committee for each county shall,
6 in accordance with such regulations as the Secretary may
7 prescribe, maintain records of the farm acreage base for each
8 farm operated by a cooperator within such county and the
9 crop acreage base for each program crop produced on each
10 such farm.

11 (2) The establishment of the records of farm acreage
12 bases for the 1986 crop year shall be accomplished in the
13 manner provided in paragraph (1) of section 102(b) on the
14 basis of—

15 (A) any crop planting history for any farm submit-
16 ted to the county committee for the county in which
17 such farm is located by any producer who seeks coop-
18 erator status under the program with respect to such
19 farm; and

20 (B) any reconstruction of any planting history for
21 any farm of any such producer by the county commit-
22 tee for the county in which such farm is located to the
23 extent provided in paragraph (2) of section 102(b).

24 (3) The establishment of the record of any crop acreage
25 base for any program crop for the 1986 crop year for any

1 farm shall be accomplished by soliciting, at such time and in
2 such manner as the Secretary may by regulation prescribe,
3 from any producer who seeks cooperator status under the
4 program with respect to such farm the number of acres speci-
5 fied by such producer for any such crop for such crop year
6 pursuant to paragraph (2) of section 103(b).

7 (4) The county committee of each county shall solicit, at
8 such time and in such manner as the Secretary may by regu-
9 lation prescribe, from each cooperator with respect to any
10 farm located within any such county the total number of
11 acres planted to program crops in each crop year beginning
12 after the 1985 crop year, and the total number of acres plant-
13 ed to each program crop in each such crop year on such farm.
14 The county committee shall—

15 (A) before the end of each such crop year, adjust
16 the farm acreage base and any crop acreage base for
17 the next succeeding crop year for any such farm on the
18 basis of such information; and

19 (B) before the beginning of such next succeeding
20 crop year, notify each such cooperator of the farm
21 acreage base and each crop acreage base which shall
22 apply to such farm for such succeeding crop year.

23 (b)(1) The county committee of each county shall, in ac-
24 cordance with such regulations as the Secretary may pre-
25 scribe, maintain records of the program yield for any program

1 crop for any crop year for any farm operated by a cooperator
2 within such county.

3 (2) The establishment of the records of program yields
4 for any program crop for any crop year shall be accomplished
5 on the basis of—

6 (A) any crop yield history for the five crop years
7 immediately preceding the 1986 crop year which was
8 submitted to the county committee by any producer
9 who seeks cooperator status under the program;

10 (B) any reconstruction of any crop yield history
11 for any farm by the county committee to the extent
12 provided in subsection (d) of section 106;

13 (C) the actual yield per harvested acre for such
14 crop for such farm for the 1986 crop year and each
15 subsequent crop year; and

16 (D) any adjustment in the program yield for any
17 such crop by the county committee pursuant to subsec-
18 tion (c) of section 106.

19 (3) The county committee of each county shall solicit
20 from each cooperator, at such time and in such manner as the
21 Secretary may by regulation prescribe, such information as
22 may be necessary to determine any program yield in the
23 manner provided in section 106(b) for any program crop pro-
24 duced on any farm within such county by such cooperator for

1 any crop year. The county committee shall notify each coop-
 2 erator of such determination for each crop year.

3 (c)(1) If the county committee of any county determines
 4 that the occurrence of a natural disaster prevented the plant-
 5 ing of any program crop on any farm within such county (or
 6 substantially destroyed any such program crop after it had
 7 been planted but before it had been harvested), such county
 8 committee may, subject to such regulations as the Secretary
 9 may prescribe, allow the producer to plant any other crop,
 10 including any other program crop, on the acreage of such
 11 farm which, but for the occurrence of such disaster, would
 12 have been devoted to the planting and harvesting of such
 13 program crop.

14 (2) For purposes of determining any farm acreage base,
 15 any crop acreage base, or the eligibility of any producer to be
 16 treated as a cooperator, any acreage on a farm on which any
 17 crop was planted as a substitute for any program crop, in-
 18 cluding any other program crop, pursuant to any determina-
 19 tion under paragraph (1) shall be taken into account as if
 20 such acreage had been planted to the program crop for which
 21 such other crop was substituted.

22 DEFINITIONS; SPECIAL RULES

23 SEC. 108. (a) For purposes of this Act—

24 (1) the term "Secretary" means the Secretary of
 25 Agriculture;

1 (2) the term "program" means the farm and crop
2 acreage base and program yield system established in
3 section 101;

4 (3) the term "program crop" means any crop of
5 wheat, feed grain, upland cotton, or rice;

6 (4) the term "crop year" means the calendar year
7 in which a crop is normally harvested, except that, in
8 the case of a crop which is normally harvested in Jan-
9 uary, February, or March of any calendar year, the
10 term "crop year" with respect to such crop means the
11 calendar year in which such crop is planted and during
12 which substantially all growth occurs;

13 (5) the term "county committee" means a county
14 committee established pursuant to section 8(b) of the
15 Soil Conservation and Domestic Allotment Act (16
16 U.S.C. 590h(b)); and

17 (6) the term "cooperator" means any producer of
18 any program crop who is eligible to receive any loan,
19 purchase, or payment with respect to such crop in
20 accordance with section 105.

21 (b) For purposes of determining any farm acreage base
22 or any crop acreage base under this Act, the number of acres
23 planted to any program crop includes any acreage which—

24 (1) under any other provision of law, is required
25 to be treated as having been planted by a producer be-

1 cause of the participation of such producer in any acre-
 2 age or crop limitation program established under or
 3 pursuant to any Act of Congress;

4 (2) under any other provision of law, is required
 5 to be treated as having been planted because of the de-
 6 votion of such acreage by a cooperator to a conserving
 7 use in the normal course of farming operations; or

8 (3) any producer was unable to plant to such crop
 9 (or, if planted to such crop, was unable to harvest) be-
 10 cause of the occurrence of a natural disaster as deter-
 11 mined by the county committee for the county in which
 12 such farm is located in the manner provided in section
 13 107(c)(1).

14 (c) In the case of cotton planted pursuant to the skip-
 15 row planting practice, the planted acreage of such cotton
 16 shall be determined on a row-acre basis rather than a
 17 ground-acre basis for the purpose of determining any farm or
 18 crop acreage base.

19 **TITLE II—PRICE-SUPPORT LEVELS FOR**
 20 **PROGRAM CROPS**

21 **SEC. 201.** The Agricultural Act of 1949 (7 U.S.C. 1421
 22 note) is amended by—

23 (1) in section 101—

1 (a) in the introductory paragraph, striking
2 out “, if producers have not disapproved market-
3 ing quotas for such crop”; and

4 (b) subsection (d)(3) is amended to read:

5 “(3) the level of price support to cooperators for
6 any crop of peanuts for which marketing quotas have
7 been disapproved by producers shall be 50 per centum
8 of the parity price therefor; and no price support shall
9 be made available for any crop of tobacco for which
10 marketing quotas have been disapproved by produc-
11 ers;”;

12 (2) in section 103(a)—

13 (a) in the first sentence, striking out “for
14 which producers have not disapproved marketing
15 quotas”; and

16 (b) in the third sentence, striking out “and in
17 case marketing quotas are disapproved”;

18 (3) in sections 105 (a) and (b), striking out “pro-
19 ducers” and inserting in lieu thereof “cooperators”;

20 (4) in section 107, striking out paragraphs (5) and
21 (6); and

22 (5) amending section 408(b) to read as follows:

23 “(b) A ‘cooperator’ (1) with respect to wheat, corn,
24 cotton, and rice, shall be a ‘cooperator’, as that term is de-
25 fined in section 9(a)(6) of the Agricultural Program Improve-

1 ment Act of 1983, and (2) with respect to any other basic
2 agricultural commodity, shall be a producer on whose farm
3 the acreage planted to the commodity does not exceed the
4 farm acreage allotment for the commodity under title III of
5 the Agricultural Adjustment Act of 1938.”.

The CHAIRMAN. Our first witness this morning is the author of the legislation, my distinguished colleague and friend from Texas, Charles Stenholm, and we will be very happy to hear from you at this time.

**STATEMENT OF HON. CHARLES W. STENHOLM, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. STENHOLM. Thank you, Mr. Chairman.

I want to first thank you for calling this hearing. Today our committee will be getting its feet wet on farm policy, continuing our preparations for the watershed 1985 farm bill. Today's subject is very important if we're going to make farm programs palatable to farmers.

Nobody knows yet what next year's farm legislation will look like. We may end up fine-tuning the 1981 farm bill, or we may decide to change channels.

But whatever else the new law does, it will almost certainly have to assign acreage bases and yields to participating farmers. If the new farm program is even remotely similar to the present one, we will need some way to measure how many acres a farmer normally plants—that's the base—and what productive capacity is associated with those acres—that's the yield.

There are some farm bill fundamentals, some basic building blocks, and a good set of base and yield formulas is one of them. If we could provide that up front, if we could give farmers a dependable base and yield benchmark to make their long-range plans, then we would have a skeletal structure for next year's farm bill debate. Having given farmers a fair production base, we could go on to the more difficult questions of price support and supply management.

H.R. 4565 is a bill several colleagues and I introduced to stimulate discussion of bases and yields. Senator Bentsen of Texas has introduced a companion bill, S. 2608. The heart of both bills is the concept that Congress can help farmers do some long-range planning by writing base and yield formulas into permanent law. I believe that's a sound concept.

The specific formulas for bases and yields in H.R. 4565, on the other hand, are tentative. These formulas did not come to my office chiseled on tablets of stone, and I hope that today's witnesses will suggest concrete ways they can be improved, as well as commenting on the general notion that they should go into permanent law.

H.R. 4565 has three aims: first, equity—a system that is consistent between crops and fair to different production regions; second, flexibility—letting farmers respond to market signals and follow conservation practices without penalty; and, third, predictability—removing uncertainty and guesswork by giving farmers a permanent and reliable benchmark from which to plan.

Why do we need this bill? Would it really be all that much of an improvement over the present state of things? I think so, for several reasons.

First and foremost, H.R. 4565 makes bases and yields a matter of permanent law rather than 4-year farm bills. Because current formulas have to be reauthorized every 4 years—and in reality, Congress does it more often than that—farmers often can't be sure

what this year's planting decisions will mean for next year's farm program. H.R. 4565 would tell them exactly how their base and yield would be figured, not just this year and next year but into the future, too. We would see fewer farmers planting for the program just to protect their bases.

There are other reasons for passing a new base and yield policy. H.R. 4565 allows farmers more flexibility in deciding for themselves how much they will plant. This, in turn, should increase program participation since farmers are more likely to be satisfied that their bases and yields are fair to them. The bill will make yield determinations more consistent between crops. By acting now on bases and yields, we will keep this important topic from slipping through the cracks once the monumental task of writing the 1985 farm bill begins, and H.R. 4565 would remove base and yield formulas from the vagaries of year-to-year political pressures, at least as far as that is possible.

Most members of the committee are familiar with the bill, and I won't go into great detail. Briefly, farmers who grow one or more of the program crops—wheat, feed grains, upland cotton, or rice—would be assigned an overall farm acreage base determined by a rolling 5-year average of their cumulative acreages of those crops. Each program crop would have a crop acreage base, again based on a rolling 5-year average. The goal would be for the sum of the crop bases not to exceed the farm base, to avoid the phantom acreage problem we have had under the 1981 farm bill.

As long as he notified USDA beforehand, a farmer would be able to change the mix of crop bases within his overall farm acreage base. So he wouldn't necessarily be tied down by what he happened to plant last year, but could decide to plant more cotton and less wheat than his bases called for.

Yields would be determined by a 5-year rolling average of proven yields, with the high and low years dropped from the calculation. Yields could be assigned in cases where it wasn't practical to provide actual records.

H.R. 4565 doesn't try to make price support or supply management policy. That's for next year. The bill does tie price support eligibility to compliance with the base program, but I see that as a section Congress would amend regularly with 4-year farm bills. In practice, that section would be routinely suspended and replaced with whatever policy Congress has decided on.

Let me mention very briefly, Mr. Chairman, some changes I would like to see in the bill as it is written. I may be anticipating some of today's testimony as I do so.

First, the bill tells farmers that, although they have flexibility to change some of their crop acreage bases, they can't more than double any crop base from year to year. It has been pointed out this wouldn't come into play often, and when it did, it would probably discriminate against producers who wanted to grow a crop for the first time, so I think this provision should be either modified or, more probably, eliminated.

Second, there will have to be some additions to title II of the bill. The intent of that title is to replace the current system of permanent-law allotments, quotas, and certificates with the new base

system, but only for the program crops, of course. To do that fully, some added language will be necessary.

Third, I think we will need to count soybean acreage for purposes of the farm acreage base, the overall planting history, but not for purposes of assigning any kind of base or planting limitation to soybeans themselves. I don't think soybean producers would object to this, since the effect in most cases will be to give them a fairer corn base.

Finally, this bill doesn't resolve the issue of double cropping and how that practice should be treated in our farm programs. This is one area I am especially eager for today's witnesses to talk about, and I would add here that in my opinion double cropping needs to be recognized and taken into consideration.

As one who farms in a dry area in which double cropping is not practical, I believe that it would make more sense for us to develop a program that would recognize double cropping as a legitimate production practice and provide a basis for those double croppers so that, assuming we have a farm program next year, anyone who is double cropping and is producing a crop in which there is a surplus will also find it to his best interest to participate in a reduction. If it takes a set-aside of 10, 20, 30, or 50 percent, it makes more sense to me to have a base figured in such a manner that the individual producer who is participating in the problem will find it to his benefit and his neighbors' benefit to participate in the program, but I will look forward to hearing what others would have to say about that.

Mr. Chairman, I make no grandiose claims for H.R. 4565. It won't guarantee farm prosperity or absolve Congress of the burden of writing farm bills, but it will give us a place to start from. It will give us a framework for building next year's new policies. What we are talking about today is not the 1985 farm bill, but it is a necessary prologue.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Are there any questions of our colleague?

[No response.]

The CHAIRMAN. If not, our next witness is our distinguished colleague from Iowa, Mr. Bedell, who is a cosponsor of the legislation.

Mr. BEDELL. Mr. Chairman, first of all I have a statement by the Iowa Cattlemen's Association that I would ask to have made a part of the record.

The CHAIRMAN. Without objection, the statement of the Iowa Cattlemen's Association will appear in the record.

[The prepared statement of the Iowa Cattlemen's Association appears at the conclusion of the hearing.]

Mr. BEDELL. Thank you very much.

I want to thank you for this opportunity to appear before the committee. I also wish to apologize. I have my Sioux City people here—I know some of you are coming to our steak dinner tonight—and I am very much involved with them. Therefore, although I think this is an extremely important issue, I am going to be limited as to how much time I can spend with the committee. I certainly appreciate what you are doing here and I hope you understand.

The CHAIRMAN. Thank you very much. We understand and welcome the Sioux City visitors.

STATEMENT OF HON. BERKLEY BEDELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. BEDELL. Mr. Chairman, as you know H.R. 4565 is an attempt to overhaul our acreage base and program yield system and put it on a more equitable and permanent footing. I certainly want to commend the author of this bill, Mr. Stenholm, for his hard work in examining the issues and offering this proposal. It is apparent from a reading of the legislation that a great deal of thought and effort has been put into the measure.

We have heard many calls over the past several months for more predictability and stability in our farm programs. In my opinion, the proper reform of our acreage base system is the single best thing which the Congress could do to achieve those objectives. I believe the need for this overhaul is fundamental and it simply must be accomplished either before or as a part of the 1985 farm bill.

Problems with the current crop base system have generated more complaints of unfairness from my farmers than any other aspect of our farm program by far. I have heard from livestock producers who found themselves with a reduced base because in certain years they had relatively more acres in hay or grass. I have heard from other farmers, primarily livestock producers, who, because they chose not to participate in past acreage reduction programs and thus had no base, found themselves unable to participate in relatively attractive farm programs such as last year's payment-in-kind program.

Many livestock producers wanted to participate in the PIK program but found they couldn't, since they hadn't participated in previous programs, had not certified their corn acres each year, and thus had no acreage history. Moreover, they often did not have the data to support the proven yields documented by their cash grain neighbors. Many of my livestock producers thus have concluded that our acreage reduction programs favor the cash grain producer, discourage the seeding of tillable land to legumes and grass, and actually encourage larger and larger crop bases and higher and higher program yields.

As you know, Mr. Chairman, I have in each of the 23 counties in my congressional district a farm advisory committee composed of some 30 members, nearly 700 in all. At each of our regular meetings the issue of acreage bases and yields is invariably discussed and when I ask for a show of hands, my farmers vote nearly unanimously to scrap the current base system and replace it with something similar to the normal crop acres [NCA] which we formerly had in place.

As I see it, establishing a farm acreage base is superior to a specific crop acreage base because it allows each farmer to determine the mix of crops which he will raise on his farm. The mix will be determined largely by the relative price of each crop. Although I understand that retaining the specific crop acreage base in some form is desirable as a means of allowing USDA to tailor a program to more effectively reduce production of a given crop, I believe that

this desire is outweighed by the interest we should have in keeping our program simple and flexible.

Moreover, I believe that in most areas of the country one crop can be grown rather readily as a substitute for another. Thus, if the goal of our farm programs was to idle cropland generally, then each farmer would be required to idle a certain percentage of his farm acreage base. The farm acreage base should be determined by a 5-year moving average of total planted acres, as set out in H.R. 4565.

I recognize that, particularly in some of our major wheat-growing regions, the ability to substitute crops does not exist. I checked with program officials at the Department of Agriculture to get some idea of farmers' ability to substitute crops from one to another in different regions, but I was informed that such information will not be available until later this summer. In fact, this will be the first time in many years that such information is compiled. However, one official did provide me with his very rough estimate that 50 to 60 percent of our wheat is grown in areas where other crops can be substituted.

I believe that our efforts to reform the acreage base must ultimately include provisions to protect those who wish to return cropland to soil-conserving crops such as hay or grass. Of course, such a provision was properly included in the sodbuster bill recently approved by the committee. Unfortunately, the provision was weakened to call for a study of this issue by the Secretary and a report next year.

Finally, Mr. Chairman, I think that if an acreage base reform is to succeed, then soybeans must be included as a program crop. Although soybeans currently are not included within the scope of H.R. 4565, I understand that Mr. Stenholm is agreeable to including them in the bill as far as the total farm base is concerned.

Again, Mr. Chairman, I appreciate this opportunity to comment and I look forward to efforts to try to refine this legislation and move it forward.

The CHAIRMAN. Thank you very much. We appreciate your testimony. If there are no questions, we will excuse you for the balance of the day so that you may be with your Sioux City people.

Mr. BEDELL. Thank you, Mr. Chairman.

The CHAIRMAN. Our next scheduled witness is our colleague, Jack Hightower from Texas, who is occupied in his own committee. He has asked to testify this afternoon, so we will defer his appearance until that time.

Our next witness is the Honorable Richard Goldberg, Deputy Under Secretary for International Affairs and Commodity Programs. He will be accompanied by Mr. Milton Hertz, Deputy Administrator for State and County Operations, Agricultural Stabilizations and Conservation Services, and Roy Cozart, the Assistant Deputy Administrator.

We will be very happy to hear from you at this time, Secretary Goldberg.

STATEMENT OF RICHARD GOLDBERG, DEPUTY UNDER SECRETARY, INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY MILTON HERTZ, DEPUTY ADMINISTRATOR FOR STATE AND COUNTY OPERATIONS, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICES, AND ROY COZART, ASSISTANT DEPUTY ADMINISTRATOR

Mr. GOLDBERG. Thank you, Mr. Chairman and members of the committee. My name is Dick Goldberg. I am Deputy Under Secretary of Agriculture for Commodity Programs and International Affairs, USDA, and as you introduced my colleagues this morning, Mr. Chairman, I won't reintroduce them at this time. We appreciate the opportunity to appear before you today to discuss the H.R. 4565.

H.R. 4565 would provide for a permanent system of establishing wheat, feed grains, upland cotton, and rice acreage bases and program yields based on a moving 5-year average of planted and considered-planted acreage in actual production. While the Department of Agriculture supports the general objectives of this bill, if acreage reduction programs are to continue in the future the Department believes that the provisions of the bill would more properly be considered in the context of deliberations on the 1985 omnibus farm legislation.

The department recommends that the committee defer action on this issue until next year. While we do not recommend enactment of this bill at this time, I am prepared to discuss the department's reaction to the final approach taken in H.R. 4565 to the acreage base issue.

Since others around the world increase production while we continue to cut our production, some are now asking whether these programs—put in place back in the 1930's—serve today's agriculture well. Agriculture today has changed rather dramatically in its focus, composition, and orientation, and it may be better to first review the merits of acreage programs in general. Without acreage cutbacks, bases of course are not needed. This is why we believe that broader discussion is appropriate in the 1985 farm bill before more specific details concerning acreage bases and similar matters are established.

Over the years one of the major complaints concerning acreage reduction programs has been the establishment of bases. Farmers in general like bases that are flexible and allow them to qualify for program benefits with the minimum production reduction, as pointed out by Congressmen Stenholm and Bedell. The 1981 farm bill legislated provisions that resulted in the establishment of large bases which in turn reduced the effectiveness of the programs. I might add, Mr. Chairman, that in doing that then you have to require more acreage reduction in order to get some semblance of compliance with the stated objectives of a program.

These provisions required the Secretary to establish acreage bases using either the acreage planted on the farm in the preceding year or the average plantings of 2 years—which is the case, I might add, for 1984. As a result, the acreage bases are larger than the actual acreage. Acreage bases and actual plantings are shown

in an attachment at the end of my testimony, Mr. Chairman. The effect of these larger bases has been to cause the acreage adjustment programs to be less effective. In other words, the bases exceed the actual acres in almost every single commodity area, which does reduce the stated purpose of this legislation.

Increasing the effectiveness of acreage reduction programs have been contentious over the years. In most cases, whenever the administration has tried to make the bases realistic and attempted to improve the effectiveness of the programs within the framework of the legislation, Congress has overruled. Let me cite some recent examples:

The Agricultural Adjustment Act of 1980 which allowed producers to earn program benefits even if plantings on the farm exceeded the normal crop acreage [NCA]. In other words, nonparticipants were allowed to participate in price support programs, people who had not signed up for the program following the embargo of 1980.

Second, the Agricultural and Food Act of 1981 that establishes bases on a single or a 2-year planting history. The Secretary has chosen, as you know, to use the 2-year history this year also.

Third, the Agricultural Programs Adjustment Act of 1984 mandates haying and grazing of winter wheat cover on acreage conservation reserve [ACR] land and summer fallow requirements. We are not here to discuss the merits of those proposals, Mr. Chairman, but simply point out that those are factors that to some would identify it as some eroding of the stated purpose of reduction in planted acres.

The issue concerning the proper establishment of acreage bases has been around for some time. Many support measures to increase the bases and while at the same time admonishing the programs, and their administrators for not operating more effective cutback programs. At least, this has been the history. However, the provisions of H.R. 4565 have the potential to reduce the slippage. H.R. 4565 also omits some areas where most of the slippage occurs. We would like to go over both.

H.R. 4565 would establish an overall farm base with the total of the individual commodity bases constituting the farm base, using a 5-year moving average of plantings as described previously by Congressmen Stenholm and Bedell. Limited adjustments between bases could be made in a program year, if requested before a specified date.

Eligibility for program benefits would be tied to planting within all commodity bases, unless waived by the Secretary, which is a modified form of cross-compliance. Base credit for land put into permanent conservation practices would be given. The bill also requires producers to plant within their base or permitted acreage on all program crops as a condition of eligibility for program benefits, unless waived by the Secretary.

Some of the issues not adequately addressed by H.R. 4565 include: summer fallow; double cropping—both items, I believe, covered by Congressman Stenholm. The inclusion of crops such as soybeans, covered by both of the previous gentlemen, extra long staple cotton, and other rotational commodities. H.R. 4565 allows 1986 commodity bases to be established at a producer's discretion. This disregards historical plantings and, we believe, dilutes the objec-

tives of the legislation. In other words, if you started in 1986 your 5-year moving average would not become effective until 1991.

Although H.R. 4565 would also establish program yields based upon the actual historical production of a farm, rather than using administratively determined yields would insure a more equitable distribution of program benefits, significant difficulties exist with respect to establishing program yields for the wheat and feed grain programs since production on many farms is utilized for purposes other than cash sales. Here again, Congressman Bedell and others have pointed out what we are talking about. Such as, corn grown for silage or feed grains fed to livestock where the livestock producers did not qualify for programs because they didn't have a base. It's possible this problem may be resolved by utilizing actual appraisals of the crop while it is still in the field, which is the method presently utilized to a limited degree with proven yields.

We do not have the authority to change, nor do we intend to recommend changing the method for establishing bases for the 1984 and 1985 crops as provided for in the current Agriculture and Food Act of 1981. If the 1985 farm bill is oriented toward continued production cutbacks and reduced market shares, I can assure you that provisions for establishing bases as well as other measures will be considered in an effort to operate in the most efficient manner possible, programs that will control agricultural production.

Mr. Chairman, that concludes my statement, and I would be happy to respond to any questions that you or other members of the committee may have.

[The attachment follows:]

SUMMARY OF PLANTINGS AND ESTABLISHED ACREAGE BASES

[Million Acres]

Commodity	Plantings				Acreage bases		
	1980	1981	1982	1983	1982	1983	1984
Wheat.....	80.6	88.9	87.4	76.8	90.7	90.9	93.7
Corn.....	84.0	84.2	81.8	60.2	81.3	¹ 83.0	81.4
Rice.....	3.4	3.8	3.3	2.2	4.0	4.0	4.2
Upland cotton.....	14.5	14.3	11.3	7.9	15.3	15.4	15.5

¹ Estimated, was combined with sorghum base for 1983 crop and not reported separately.

The CHAIRMAN. Thank you very much, Secretary Goldberg.

Are there any questions?

Mr. Stenholm.

Mr. STENHOLM. Thank you, Mr. Chairman.

I would reiterate that the purpose of introducing this legislation this year is to attempt to solve one of the problems that we have had with past supply management oriented programs, with individual farmers not being able to participate because of the rules being changed after the game was started or, in some cases, almost after it is completed.

Therefore, I guess my first question, Secretary Goldberg, is this: While acknowledging your opening statement that you would prefer to do this next year, let's assume for a moment that we are going to do it this year. In the areas of summer fallow, double-cropping and soybeans and the nonprogram crops, how would you sug-

gest that this be handled in this legislation—include them or exclude them?

Mr. GOLDBERG. I believe, Congressman, that—for purposes of assuming that we would go forward with this—that you would have to develop some methods of attacking that question. I think it should be discretionary, within the powers of the Secretary.

Double-cropping is something, I know what it is, and I really don't have a concrete proposal to suggest. In the areas of summer fallow, some of the other things that we have done either legislatively or administratively, I would like to see that left in the discretionary powers of the Secretary.

I do believe as far as soybeans are concerned, Congressman, I am glad that you did address that issue because that has been an increasing production crop and I don't know whether soybean producers would like 5-year moving averages or not. It might have some effect on what their support might be.

Mr. STENHOLM. There would be no intent on my part of creating any kind of a base or allotment system for soybeans, since they as an industry seem to be pretty united against it, but it has occurred to me that we would have to include soybeans for rotational purposes if we're going to have an equitable base system.

Do you believe the 60-day advance notice requirement for changing crop bases is appropriate? Would 30 days be workable, or would less than 30 be possible for gathering information and having that plugged into program decisions?

Mr. GOLDBERG. I am not sure, Congressman, whether it is 30 or 60 days, but I think that it needs to be pointed out that, while that allows the farmer more flexibility as you rightfully point out, it should also be mentioned that they will be making shifts or at least allowed to be making shifts in base commitments prior to knowing what the program is going to be. In other words, the idea is that if prior to July 1 for wheat, for example, on May 1 if they want to shift corn base to more wheat or vice versa, they are going to be doing it before the programs are announced. I don't know if that is a defect or not.

Mr. STENHOLM. I know there has been some serious question by many we will hear from later today, as to the ability of a farmer to make a decision 60 days before a program and then make that change, and I think that's a valid point. However, at the same time the whole purpose of H.R. 4565 is to allow individual farmers more flexibility in making decisions based on the market. It's going to be interesting, hearing from others on that remark.

However, I was asking you specifically from a technical standpoint, how soon would the department have to have information? Let's assume for a moment that we have a mass change from one crop to another, up to 25 percent, which I doubt would happen but is possible. That, in turn, if you are shifting, is going to cause overproduction, assuming a supply management program which is a basic assumption at this point. Then you are going to have to have an increased set-aside by those that have changed. You are going to have to have a reduction accordingly, so that is the thinking behind this. How soon would you have to have that in ASCS offices in order for that to be plugged into a departmental decision on the program?

Mr. GOLDBERG. We would prefer a longer period rather than a shorter period. If the choice is between 60 and 30, we would take 60. Quite naturally, if that were to take place, we would want to do as effective a job as we can and I don't know that 30 days would be sufficient.

Mr. STENHOLM. What are some more specific reasons why you would like to defer H.R. 4565 until 1985?

Mr. GOLDBERG. I think, Congressman, that you have to basically establish philosophically where you are going to be in the fundamental structure of a 1985 farm program. While we agree that bases have been something less than equitable or less than successful, we think in some way that you have—although you are pointing up the problem and we agree with you, and basically we agree with some different approach than what has taken place in the past, as you are outlining—we do think that this kind of legislation should be included in the bill itself, as it has been in the past.

Mr. STENHOLM. I thank you, Mr. Chairman.

REMARKS OF HON. E (KIKI) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. I thank the gentleman.

The Chair is going to continue with this legislation. Although we appreciate your position, our decision is to move along with the tools for basic legislation and get away from the view that everything should be encompassed in the overall farm bill. We want to chart another course and exercise another philosophy.

I don't know if we are going to have loan rate and target prices in the 1985 farm bill. In fact, I don't know if we are going to have an 1985 farm act at all for we don't know what direction the art of the possible will allow us to go. We would like to have certain things in place regardless of who is chairman and regardless of the makeup of the committee or the administration. We have to have certain tools in place that are not changed every time. I would like to have a farm bill not only for this decade but for this century. We are not going to do that with what you advocate—that everything be tied into what we do every 2 or every 4 years with mid-course corrections.

I would liken the legislative process to sending a rocket to the Moon, which is a very intricate process. That rocket has sensors which are tied to a computer at the Johnson Space Center in Houston, and if gravity pulls or doesn't pull, the Moon shines, the Sun shines, humidity, or whatever impacts on the rocket, the sensor picks it up and the computer base guides it. I would liken what we do with this legislation to what we did when you made your announcement on the programs. We felt you were too late. Your Department wanted to have the longest possible time, and we wanted the earliest possible announcement. We arrived at a compromise. Now we have an announcement date in place, and this next farm bill doesn't have to deal with when you are going to make announcements. That should be a constant. Acreage base and yields also should be a constant and not adjusted every time you enact legislation.

I want to impress upon you that we don't want to save everything for one packet that may not fly, or to legislate that particular package for 1 or 2 years. We would like to have a program that a farmer and his banker or supplier can rely on—something that all of us can look to and say: Here is the base that we will use and the factors that will have to be taken into consideration.

I would think that the Department of Agriculture would be the first one to support such a proposal so that you are not forced to do something you don't agree with. I think you need to work with us now, to work out legislation to provide tools that will be workable for the eventual legislation. There are certain elements that fit into the present trend of legislation that should be set aside and allow the tools to work with some degree of flexibility.

Those are my views. There need be no reply from you, but I would appreciate your taking them back to your sources.

Mr. GOLDBERG. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Roberts.

REMARKS OF HON. PAT ROBERTS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. ROBERTS. Yes, thank you, Mr. Chairman. I have a full statement that I prepared, and would ask your permission to insert that statement immediately following the statement of my colleague from Texas, Mr. Hightower, if that would be permissible, sir.

The CHAIRMAN. Mr. Hightower will testify this afternoon. The gentleman understands that?

Mr. ROBERTS. Yes.

The CHAIRMAN. Without objection, the gentleman's prepared statement will appear after our colleague, Mr. Hightower.

Mr. ROBERTS. In that statement, Mr. Chairman, I make mention of my thanks and support in behalf of my good friend and colleague from Texas, Mr. Stenholm. He and I have talked at length, as members of the National Agricultural Forum and the Congressional Agricultural Forum and simply as Representatives from farm States, about the need for a new farm bill. It always comes back down to the bottom line that if you do not have an acreage base which our farmers can utilize, that you are really not going to make any progress. Therefore, I want to thank my colleague for introducing this bill. I am one of the original sponsors.

I would hope that we would not take any action in this committee and in the Congress that would affect the acreage base for wheat, at least, in terms of crop year 1985. Perhaps in terms of crop year 1986, all right, but I think it says something of how tough it is to get any kind of farm legislation passed in this Congress, that we have come through an 18-month battle in order to get two things accomplished: One, to announce the wheat program in time for farmers to make their cropping plans; and, second, to get an acreage base so that the traditional wheat-producing areas can at least participate. That has taken us 18 months, and that is the intent of this bill, as I understand it, to at least provide the producer some long-term planning stability.

For the first time in recent memory, my farmers are now doing their spring field work with next year's program locked in hand.

Let me remind the members of this committee and all who are here that in my territory, at least, that work for next year's crop starts around March. We had a big to-do around here last year about when to announce the programs, and the timing of these programs is exceedingly important, and also to let the producer know what is going on is also exceedingly important. I would hope that we would not add to the confusion that is already out in farm country by changing that acreage base for 1985.

Now, having said that, I think we have to address the acreage base, as my colleague from Texas has pointed out, in regards to fairness and participation. In terms of fairness, during the last several years in my personal view—and it is parochial, I would admit, but in my country we do produce a majority of the wheat in this country—we have disenfranchised the summer fallow producer who did not add to the surplus and we, in fact, on the other hand, have enfranchised the areas where they double crop—use wheat as a cash crop and they double crop it—to the extent that some people have more in their acreage base than they have acres on their farm. Now that simply is not fair, and I think it is the intent of this bill to take that first step, to address that issue of equity.

Second, prior to the mini farm bill that we just passed in regard to the wheat program, that I was just talking about, we only had 5 percent of the wheat producers in Kansas signed up for the program. After we made some acreage base changes and changed the date of the announcement, now we have 70 percent of our producers in that program, so if you are going to talk about participation, whether a farm program works or not, you have to deal with this subject.

Let me ask Secretary Goldberg a question. Is it your stand, sir, then, it is not so much that we ought to address this problem with the new farm bill considerations, but is it your stand that perhaps my farmers and everybody else who is witnessing this, that they can at least bank on what is going to happen in 1984 and 1985, and there are not going to be any changes until crop year 1986?

Mr. GOLDBERG. Congressman Roberts, I believe in my testimony I did mention that we have no intention of changing anything for 1984 or 1985. This bill, as you know, does nothing until 1986.

Mr. ROBERTS. I appreciate that, and I would hope that this first step could be discussed now. Perhaps—I don't know—would my colleague like to make a comment at this time?

Mr. STENHOLM. Yes. Would the gentleman yield?

Mr. ROBERTS. I would be happy to yield.

Mr. STENHOLM. As Secretary Goldberg stated, and let me clarify, nothing in H.R. 4565 changes anything in the 1984 and 1985 farm bill. We are only talking about 1986.

Mr. ROBERTS. I think that is a point that should be made to all present.

You said on page 2—and I am not going to get into any arguments with you here, or at least unless you let me—but you said that in most cases whenever an administration has tried to make the bases realistic and attempted to improve the effectiveness of the program—and the key word there is "effectiveness"—Mr. Chairman, I see my time has run out. May I have an additional 2 minutes?

The CHAIRMAN. Without objection, the gentleman is recognized for an additional 2 minutes.

Mr. ROBERTS. You drop down to the third example here, where supposedly haying and grazing of winter wheat cover in the summer fallow requirements are not effective— we only had 5 percent of our producers in the program. Now we have 70 percent. How does that square with your statement in terms of effectiveness? I thank you for the changes. I am not trying to pick on you. I thank you, and I want to especially thank Mr. Cozart. I have shined his shoes every morning ever since he made those changes. [Laughter.]

Mr. GOLDBERG. I am sure he would thank you for that, Congressman.

Basically what we are saying is that any changes, either administratively or because of pressures or legislation or whatever reason, that alters the effectiveness of a program—and that is, to reduce production—in our judgment reduces the effectiveness and the success of the base idea and the production adjustment ideas.

Now the other side of the coin that you mentioned, Congressman, is whether or not, if you don't do some of these things, whether you get participation. I guess I don't know. I can't really respond to what all these things do in terms of what turns a producer to participate. We also know that prior to the enactment of the 1984 legislation involving wheat for 1984, we had better than 50 percent sign-up nationwide in the previous wheat program.

In other words, for what purposes these changes are made as far as getting compliance, I guess you and I could debate quite a while whether or not that does it or doesn't do it. In certain areas, in your area I am quite confident that that probably had something to do with it.

The CHAIRMAN. Without objection, the gentleman's time is extended for a couple of questions.

Mr. ROBERTS. I would just like to serve notice to the committee that when we get to the new farm bill deliberations, that I will be attempting to amend this legislation or the new farm bill to provide some permanent help to the summer fallow producer and to those people who practice good conservation practices. We just passed a sodbuster bill in this committee to reward those kinds of practices, and I just would hate to see a farm program continue to discriminate against those kinds of producers and just make it impossible for them to participate in the program.

I earlier had an amendment, a year or two ago, that provided a conservation credit factor as it would affect the acreage base, and was successful with it. It did pass the House. It did not pass the other body, but I intend to do the same kind of thing as of these coming deliberations.

I think at this point, Mr. Chairman, I will yield back the balance of my time and we can go from there.

Mr. STENHOLM [acting chairman]. The gentleman from Tennessee, Mr. Jones.

Mr. JONES. I have no questions, Mr. Chairman.

Mr. STENHOLM. Mr. English.

Mr. ENGLISH. Mr. Goldberg, there were several of us back in 1981 who strongly opposed the elimination of the normal crop acreage

program. We felt that at that time, and pointed out, I believe, that it was necessary to continue some type of emphasis on historic or traditional growing areas. I don't think that any of us who were urging that we hold to the NCA at that point recognized how true our statements were.

In retrospect, wouldn't you agree that the Congress and the administration made a very big mistake with the elimination of the NCS from the 1981 farm bill, given the changes that have taken place, the double cropping that has taken place in the southeastern part of the United States with wheat, the land that has been broken out in some regions of the country, marginal land, the tremendous damage that has been done as far as conservation is concerned?

Mr. GOLDBERG. I wonder, Congressman, if I could get you to go over that again. I followed you through the first part of the NCA and why we should have preserved some type of historical thing, but I didn't quite follow the breaking out of the erodible lands and overstepping conservation practices.

Mr. ENGLISH. Right. Is it not true that the double-cropping practices taking place in the southeastern part of the United States, where farmers can participate in the programs, breaking out of marginal lands that were not included in a part of that base, would that not have been averted if we had held to the NCA?

Mr. GOLDBERG. Congressman, it is my understanding that double-cropping was included in the NCA.

Mr. ENGLISH. That it was made a part of the NCA at the time?

Mr. GOLDBERG. Yes, sir.

Mr. ENGLISH. However, is it not true that the practice of double-cropping has been greatly expanded since we dropped the NCA, and that those additional areas that have included this practice, the great expansion that has taken place, would not have been a part of that NCA, and therefore would not have been covered by the program, and therefore would have been discouraged?

Mr. GOLDBERG. Congressman, basically you are correct because, as I understand it—and I don't want to apologize for not being around in 1981 and 1982, because I wasn't, at least not here—but as I understand it county committees had the authority in those years to make those commitments—

Mr. ENGLISH. However, that was one of the major—

Mr. GOLDBERG [continuing]. And that did contribute to the increases.

Mr. ENGLISH. Right, and that was one of the major proposals of the administration's farm program in 1981, if I remember correctly, and the Congress went along with it. As I said, it was an error both by Congress and by the administration.

Mr. GOLDBERG. That's true.

Mr. ENGLISH. If we had not agreed to that proposal, if we had continued the NCA, then we would not be looking at much of the expansion, particularly as far as wheat is concerned, that has taken place over the last couple or 3 years. Therefore, we would not be dealing with as significant a carryover. Therefore, we would not be dealing with as significant a surplus and, therefore, farmers would likely see higher prices than they do now and we would not, of course, be looking at all the tremendous amount of damage that

has been done over the last couple or 3 years as farmers try to maximize the use of their assets, namely, to use every available acre for production. We would not be seeing the tremendous amount of damage that has been done to what has taken years of conservation work to build up, and millions of dollars being spent by the Federal Government.

Mr. GOLDBERG. Congressman, let me respond this way: There are many reasons why we have exceeded, why the bases have continued to increase and why production has continued to increase. Certainly one of those instances is what you mentioned yourself, but I think that it would be incorrect to say that that was the sole reason for the problems that we have today with excessive wheat stores on hand. There are many, many factors, including the 1981 farm bill.

Mr. ENGLISH. I would agree that production is—certainly we have had great yields. We have had a couple or three good growing years and that has had an impact but the point I am getting to, though, is that the production, the land that has been put in production has been greatly expanded, and the reason that it was greatly expanded was because we did not continue the normal crop acreage program.

Mr. GOLDBERG. That is one of many reasons. I guess I have some other reasons why those—

Mr. ENGLISH. Can you give me a bigger one, a bigger reason?

Mr. GOLDBERG. Income; the price support programs themselves; to broaden the base, get a larger base; all those things.

Mr. ENGLISH. Mr. Chairman, I ask unanimous consent to have one additional minute to follow up.

Mr. STENHOLM. Without objection.

Mr. ENGLISH. I want to follow through on that. I keep hearing that by administration spokesmen. Now, as I understand it, in order to follow that line of thinking— which is that supposedly the target price and, I suppose, the benefits of the programs are what you are saying is increasing production—but in order to participate in those programs one has to reduce production. Now could you explain to me, then, how a program that is designed to reduce production and in which one, in order to participate, one has to cut back on production, how does that increase production?

Mr. GOLDBERG. I believe, Congressman, I follow your chain of thought. Technically speaking, what you are saying is that the two things run counter. How can you have programs that are designed to reduce production and then sit here and say, well, the programs have given incentives to increase production?

Mr. ENGLISH. I will insert one caveat, of course.

Mr. GOLDBERG. Basically, we are both right.

Mr. ENGLISH. The one caveat that I would insert, of course, is that the Secretary has the authority and the responsibility to determine whether there is going to be any cutback, and if the Secretary chooses not to exercise that authority and virtually everyone, then, is included in the program, obviously that would be an incentive. However, that would be the Secretary's actions. It would not be the program itself.

The reason that the incentives are provided to participate is with the idea of trying to maintain supply and demand, and if there is

no desire to maintain that supply and demand balance, if there is no desire on the Secretary's part to reduce production, then obviously it does become an incentive. Therefore, only if the Secretary chooses to make it so does it become an incentive. Isn't that correct, Mr. Goldberg?

Mr. GOLDBERG. I don't believe so, Congressman, because I honestly feel that farmers are like anybody else in the world. If you give them incentives to either overproduce or incentives to reduce production dramatically, financially, by support levels and so on, they will respond. They respond to what the Congress of the United States enacts for them and what we administratively propose.

Mr. ENGLISH. Oh, wait a minute. Wait a minute, Mr. Goldberg. Wait a minute. What has the Congress done? It has turned the authority over to the Secretary. That is what the 1981 farm bill did. It said "Mr. Secretary, you do whatever you want to do." That's what we did. That is what the 1981 farm bill consists of. It is totally abdicating, if you will, any authority that the Congress might have.

Mr. GOLDBERG. We can debate it but—

Mr. ENGLISH. That is what the 4-year farm bill did and then, when the Secretary has refused to act, the Congress has tried to come back and say, "Yes, but we have to do something."

Mr. GOLDBERG. Congressman, you come from a wheat State, and I don't see anything in the discretionary authority of the Secretary of Agriculture mandating that he raise target prices, as the 1981 farm bill did mandate legislatively.

Mr. ENGLISH. That's correct.

Mr. GOLDBERG. He had no authority to reduce target prices. As a matter of fact, by legislation they increased.

Mr. ENGLISH. That's correct, and that is the incentive for farmers to cut back on production, is it not?

Mr. GOLDBERG. I don't believe so.

Mr. ENGLISH. Why does a farmer participate in the program or why do we have a program, if it's not to reduce production? What's the purpose of it?

Mr. GOLDBERG. I guess what I am trying to point out through some of my testimony here this morning is that some of these programs that we have had in the past, and some of the slippage that has occurred because of changes in the program along the way, have not made these things effective. However, your original chain of questioning, if I can recall, had to with why are farmers producing crops on land that should not be utilized for crops or is marginal or something, some other reason. My response, you didn't agree with.

Mr. ENGLISH. You agreed with me at first, and then you started trying to insert and say, "Well, there are other reasons." I asked you if there was a bigger reason and you didn't come up with a bigger reason, I don't believe.

Mr. GOLDBERG. I can't tell you which one is the highest priority but I think that all these matter, there are many reasons involved.

Mr. ENGLISH. Mr. Chairman, my time is up but I would like to come back and pursue this thought here a little later.

Mr. STENHOLM. For the record, I want to make it clear that though there are elements of H.R. 4565 that do resemble NCA or

the old NCA program, this is not a simple return to NCA that we are proposing, where you look at the individual crop acreage bases, for example, and several other aspects. It is, I guess, a close first cousin.

Mr. ENGLISH. Would the chairman yield?

Mr. STENHOLM. I would be happy to yield.

Mr. ENGLISH. I think it is very important, though, that we look at the history of these programs. I think it is very important that we consider what has taken place, that we review what has taken place, the successes and the failures, what changes that might be brought about. I think that the gentleman's legislation—and certainly I am in sympathy with the thrust of that legislation—I think comes back and we have to underscore the fact that if we had not removed the NCA at the administration's urging, that we wouldn't be facing many of these problems, either in conservation or in overproduction, that we are facing today.

Mr. STENHOLM. I certainly agree with the gentleman from Oklahoma on that point.

Mr. Skeen.

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. Goldberg mentioned that some of the issues that weren't adequately addressed in this bill was one dealing with a crop that we have a great deal of interest in, and that is extra long staple cotton. I wondered if we have addressed the problem of the soybean situation, and I would like to ask the gentleman from Texas if you have any plans on initiating or including in this program the ELS cotton?

Mr. STENHOLM. I believe that there will be found considerable merit for including ELS in the overall farm acreage base concept in the same manner in which soybeans are now being addressed. I would defer to the gentleman from New Mexico and others who have an interest in the ELS program before we write the final draft, but after the information that has been presented to us and some of the discussion I think that, yes, it should be.

Mr. SKEEN. That's the only interest I had. Thank you, Mr. Chairman. I appreciate it.

Mr. STENHOLM. Mr. Morrison.

Mr. MORRISON. Thank you, Mr. Chairman.

I would just like to inquire of Secretary Goldberg: The Secretary of Agriculture, Mr. Block, has started some of the administration's efforts in looking at the 1985 farm bill by holding hearings in various parts of the country, perhaps not formal hearings but getting people together from various elements of the agricultural community. I have seen only the press reports from those meetings; know that at least part of the testimony has been related almost specifically to a market orientation for the 1985 farm bill; and it seems today that we have under discussion the concept of acreage limitations or at least building a base so that you can proceed in the direction of a greater control, a more specific control on the farm than the free market concept would bring to us.

How do you sense that those hearings have gone? Do you think most of American agriculture is going to be looking at a return to the restrictive programs of the past as opposed to a more open world competition in the agricultural marketplace in the future?

Mr. GOLDBERG. Congressman, let me respond this way. I have not personally attended either of the two listening sessions but I have, of course, been briefed and I have read the same reports that you have and I have examined the broad range of witnesses that have appeared at both sessions, the one in Chicago and the one out in California. I guess the answer to what you are saying is that what seems to be coming out loud and clear from all segments of agriculture—not only producers but processors, marketeers, warehousemen, and so on—is that they would like to give up some of the entanglements and the restrictions and all the stuff that goes with a farm program as you identified earlier, in exchange for more freedom to maximize their resources of production and make some decisions on their own.

I think that we are in a position of adjustment, and I guess that is why one of the things that we feel is wrong when considering this type of legislation today is that it presumes that we are going to continue with some form of price support program similar to what we have had today, based on bases and so on. However, on the other hand, as we commented to Congressman Stenholm and others, this bill does remove some of the prior objections to this type of activity that has occurred in consideration of previous bills. We certainly commend Congressman Stenholm and others for attacking the problem but we don't think that now, with the jury still out on what form of agricultural program producers and others see for the 1985 bill, now is the time to get into this kind of legislation.

Mr. MORRISON. So you are inclined to feel that the passage of this legislation, even though it may be progress in—

Mr. GOLDBERG. It is progress if you continue the present way of doing things, but I think that it automatically assumes that we are going to have this kind of legislation. However, to answer your question about the listening sessions, in the listening sessions I believe that the mainstream of American agriculture does favor a more market-oriented approach to our present large supply and limited marketing situation, particularly as it relates to exports.

Mr. MORRISON. I thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. STENHOLM. I believe I would have to add at this point, in response to your question, the hearings that this committee has conducted, 2 days, and the hearings that I have participated in and, I think, other members of this committee, do not get quite the same message coming from the country and the farm organizations as far as the pursuit of a market-oriented agricultural policy with no regard whatsoever for the need of supply management.

I would say that my interpretation—subject to correction from any member of this committee—of what we have heard is that we are looking for more effective, market-oriented supply management. Therein is the reason for this legislation. This is not presupposing what the 1985 farm bill will encompass but it is saying if we are going to have supply management, let's design a program that will be effective. I think everyone, including the Secretary, has agreed that what we have done in the past has not been as effective as it should be.

Mr. ENGLISH. Would the gentleman yield?

Mr. STENHOLM. I would be happy to yield.

Mr. ENGLISH. I think the gentleman makes a very good point. I would state that the real question that is going to be facing farmers in the 1985 farm bill is whether they want to take charge of their own fate; whether they want to try to deal with their problems or whether they want to, as the Secretary has suggested in the past, pray for a natural disaster. It is do something or do nothing; that is the choice that faces the farmers, and I have yet to meet a farmer who wouldn't prefer to sell his products.

However, the fact of the matter is, we have lost 25 percent of our export markets in the last 2 years and we have chosen to sit back and do nothing about it. We have taken a few trips overseas and we have done a little gladhanding, but that isn't selling any of our products overseas. I think the real question is whether we are going to take charge and become aggressive in our sales overseas, and whether we are going to take charge and bring supply and demand in balance and in line here at home. That means taking control of your own fate. I think what the Secretary has proposed for us to do is to do nothing except sit and pray for a natural disaster, and I don't think that that is what most farmers support at all.

Mr. STENHOLM. Mr. Olin.

REMARKS OF HON. JAMES R. OLIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. OLIN. Mr. Chairman, thank you.

I would like to make a couple of observations. On this point it is very clear to me, not having been in agriculture a whole long time, but it is very clear from my conversations with farmers in my district that what they really want is some reasonable amount of stability and some reasonable amount of rational policy so they can plan their lives, their economic lives, with some degree of having some decent control. They don't like the instability that they have been getting in the last 4 or 5 years. They don't like the radical movements. They can't plan their businesses and they can't succeed, and they are having an awful time. They want some good sound policies.

I would like to identify with the remarks of the full committee chairman when he spoke of the desirability of pursuing this legislation in advance of the main farm bill. I think that when you think about it, we are talking about a farm bill that is going to be quite complex. We have a lot of things about the farm program that need to be corrected. It is obviously costing too much. It is too volatile. It is based on acreage bases that are not really very close to reality. It has a lot of inflexibility in it; it is not self-correcting.

It seems to me it is pretty evident that with the complex situation here, both on the question of how much we ought to be growing and what our incentives ought to be, that we are going to be better off in constructing a good, reasonable farm bill if we take it step-by-step, and this is one fundamental step: How much should we be producing? What should our basic program be? Obviously we are going to have to have some reasonable relationship between production and market in order for anything to happen that is good for the country and good for the farmers.

I think I would commend the gentleman from Texas, Mr. Stenholm, for bringing this legislation forward. It provides an opportunity for the farm community to think this aspect of it through and arrive at some consensus which then is capable of being incorporated in the main farm bill. If we take these major pieces of our puzzle here we are putting together, and take each one and analyze it in maybe a little more rational form before we get to this crisis that we will finally end up with the whole farm bill, you have a much better chance of reaching rational decisions with regard to the major, fundamental pieces of the puzzle and avoiding the excessive horse trading that comes at the end of a bill when everybody is trying to figure out how they are going to get the most out of it, and a lot of damage is frequently done in bills.

I am not saying that that is going to happen here, but I would like to urge the Secretary of Agriculture and Mr. Goldberg to give some further consideration to whether or not you shouldn't accept the idea that this is worth talking about, worth working through—you like some of the things that are proposed here—with the idea we can sort of get that talked through and get it a little bit behind us, sort of put it on the shelf. It then can be fine-tuned, if necessary, when we finally get to putting the main pieces of this bill together. I would be interested in any comments you have on that. What is so illogical about that process?

Mr. GOLDBERG. Well, I guess we believe, Congressman, that while this addresses some of the inequities and lack of success that we have had under existing legislation as it applies, we don't feel that it is all that so technical that this consideration—if the direction continues the way it has continued in the past—that this kind of legislation cannot be considered as a part of the new farm bill. I guess our feeling there is that, as the chairman said before he left, he wanted some tools. Well, I agree with him. Tools are necessary in order to build anything but if you get too many tools outside the area of what you are trying to build, you can't build too much.

I just think that some of the parts of the puzzle, so to speak, or parts of the finished product, those parts should all be considered at the same time so that you can come out with a combination of what Congressman Stenholm mentioned, and that is something not dissimilar, not a total departure from price support ideas or even acreage reductions but in the greater context of what people really want, the Congress wants to pass, the administration and so on, in terms of legislation. I think it is that important to consider all those things at that time and not now.

Mr. OLIN. If the Secretary would take one more comment, that is that this legislation certainly is not taken out of context of the whole. It doesn't prevent later integration, and I certainly would urge Mr. Goldberg to give further consideration that you might really—the Department and we all—might benefit quite a bit by pursuing this idea and developing it, and then fitting it into the whole later rather than trying to get all of the ideas, and in the final analysis we get there in 1985, we have to get this job done, and suddenly it's a great big crescendo with a huge amount of milling around, different people positioning themselves as you know occurs on these bills. I would be pretty sure myself in my own mind, and I bet you are too, that you are going to have a much

tougher time coming up with a good, rational, sound end answer if approached that way.

Thank you, Mr. Chairman.

Mr. STENHOLM. Mr. Franklin.

Mr. FRANKLIN. No questions, Mr. Chairman.

Mr. STENHOLM. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Mr. GOLDBERG, I want to continue to follow this approach that I mentioned earlier because I think it is very important. Now, as I understand, again, what you are saying is that the target price is an incentive for farmers to produce. Now it was my understanding and my recollection, as far as legislation is concerned, that a person can obtain a target price assurance or, for that matter, the loan rate only if he participates in the program, and the Secretary then has the authority to outline and to state what those requirements might be contained in the program—how much acreage is to be reduced, what other requirements the Secretary might deem to prescribe. Is that not correct?

Mr. GOLDBERG. The target price, Congressman, encourages a producer to produce to the maximum that he can under the law and with administrative regulations in the program. I might add, Congressman—you mentioned earlier about the export situation—high target prices in this country also encourage producers in every other section of the world to overproduce.

Mr. ENGLISH. All right. Let's stop right there and explain that to me. Exactly how does our target price—which states that in order to receive this kind of assurance you have to participate in a reduction in production as prescribed by the Secretary—how does that work as far as increasing our domestic production as well as foreign production? Go through this step-by-step and explain that to me.

Mr. GOLDBERG. It encourages, within the base established with the restricted things that a producer can do, particularly in wheat, to raise wheat to the outside limits of his capability and within the framework of the program.

Mr. ENGLISH. All right.

Mr. GOLDBERG. It does not always necessarily mean that he is going to overproduce.

Mr. ENGLISH. Well, let's stop right there and let's—

Mr. GOLDBERG. I would like to complete it if I could, Congressman.

Mr. ENGLISH. I want to make sure I don't misunderstand you, if you don't mind. I don't want any slipping by here real fast so that we don't understand exactly what it is we are talking about.

Let's take this theoretical farmer out here. He has 100 acres. The Secretary prescribes that, in order for him to participate, he is going to have to reduce 20 percent so he is going to have to produce on 80 acres of land instead of 100 acres of land, so he cuts back. He participates in the program. He goes out and he seeds his crop. Now do you think the Good Lord, then, is going to prescribe that that wheat that is on that 80 percent is going to grow more than it would have otherwise grown?

Mr. GOLDBERG. No, Congressman, but as I pointed out earlier, we erode some of those things administratively—sometimes within the

framework of Congress' pressures, sometimes the Secretary himself—

Mr. ENGLISH. Wait a minute, now. What does that have to do with target price?

Mr. GOLDBERG. Well, wait a minute. You're talking about production now, and I'll get to the target.

Mr. ENGLISH. But that's what the incentive is. We are talking about that the target price is causing that land to grow more than it would have otherwise grown. Now if we hadn't had a reduction—if the Secretary says, "Now in order to get this money you don't have to cut back 20 percent"—then that farmer would have planted 100 percent. Now, somehow he is going to grow more on 80 acres of land than he would have grown on 100 acres of land otherwise.

Mr. GOLDBERG. Realistically, Congressman, the percentages that are prescribed by the Secretary are the percentages that are mandated by Congress.

Mr. ENGLISH. Wait a minute.

Mr. GOLDBERG. After you get down to the nitty-gritty of establishing the rules and you incorporate all the other little parts of it, those percentages don't add up the same as they did originally.

Mr. ENGLISH. Cite to me in the law, Mr. Goldberg, where the Congress states that the Secretary will have a 10, 15, 20, 30, whatever percentage it is, reduction, acreage reduction? Cite to me where the Congress tells the Secretary what that percentage is going to be, or even if there is going to be any at all?

Mr. GOLDBERG. The Congress does not tell the Secretary that, but—

Mr. ENGLISH. Then why did you just say that it did?

Mr. GOLDBERG. You come from Oklahoma, sir, and the Congress has asked the Secretary within his discretionary authority, to allude to some of the other things I mentioned earlier—

Mr. ENGLISH. His discretionary authority?

Mr. GOLDBERG. That has to do with the double-cropping problem, the haying and grazing, the summer fallow. All of those things add production acres.

Mr. ENGLISH. Let's go back to this 100-acre farm we're talking about, and explain to me how he gets more production out of 80 acres than he would out of 100 acres, just simply because there is a target price—an incentive to go to 80 acres as opposed to that 100 acres. How does that production increase, and how does the fact that he is cut back from 100 acres to 80 acres, how does that get some fellow in France to grow more grain?

Mr. GOLDBERG. If you didn't have all the incentives in the program, Congressman, I would question whether he would go in full tilt and produce all of what we are suggesting.

Mr. ENGLISH. Now what is it that he is producing on those 80 acres that he wouldn't be producing otherwise? You're going into production full tilt on 80 acres as opposed to going into full tilt on 100 acres. I don't understand. Where is your logic on that?

Mr. GOLDBERG. Congressman, some farmers, if it were just a voluntary situation, determining the cost of fertilizer, seed, chemicals, and everything else, and you did not have the incentive for the target prices, all of those programs, I would rather imagine that

you would find better conservation practices and less production. You would not go to the 100 acres.

Mr. ENGLISH. Now, let's look at that. Now we had that kind of situation taking place. We came out with a program that the Secretary came out with, announced in August, which farmers didn't find particularly attractive. Now in my good State they went out and they planted every acre they had. Do you know why they planted every acre they had? Because they are businessmen and, like any other businessmen, when they find themselves in a financially strapped situation they try to maximize the use of the resources that they have. They try to get every dollar that they possibly can out of those assets that they have. That's what every good businessman does, and that's what these farmers are trying to do, so they didn't follow your theory. They went the other direction. They had to. They didn't have any choice. They had to maximize and bring every dollar they possibly could out of every acre that they had. They had no choice because the price forced them into that position. Now how does that square with your theory?

Mr. GOLDBERG. Obviously, Congressman, your theory and my theory are—

Mr. ENGLISH. No, it's not theory. That's fact. That's not theory. You are talking theory and I am talking fact, because it happened. It was your program, your Secretary's program that went out there, and the participation in the State of Oklahoma at that time was below 50 percent, down—if I remember correctly—about 45 percent. The one factor that they kept harping on is, "If we could have some haying and grazing, then we could afford to participate in the program," and they got that additional incentive, even though the Secretary had fought it.

Now tell me, as a little sidelight here, what was it in that wheat bill, other than freezing target prices, that the Secretary didn't have authority to do anyway? Was there anything in there that he didn't have authority to do?

Mr. GOLDBERG. I think freezing the target price is a monumental change, Congressman, from where we were.

Mr. ENGLISH. I'm talking about what else is there in that bill, other than freezing target prices, he didn't have the authority to do?

Mr. GOLDBERG. Paid diversion.

Mr. ENGLISH. He didn't have the authority for paid diversion?

Mr. GOLDBERG. Oh, yes, he did have the authority. You're right. He had that.

Congressman, I don't remember the Oklahoma sign-up but I believe it was at least 50 percent before that bill.

Mr. ENGLISH. No, it wasn't. I object. It wasn't. I hate to tell you that. I wish it was, but it wasn't. It was about 45 percent, 47 percent, if I remember correctly.

Mr. GOLDBERG. That's even considerably above what our original projections were. That isn't too bad.

Mr. ENGLISH. If that was your original projections, evidently you weren't too interested in getting many people to participate. You obviously didn't provide any additional incentives but, after the wheat bill is passed, we are getting greater participation, greater participation. Why? Because the incentives are there.

Now let's get back onto this 100-acre fellow. Now you come back and tell me that for some reason he is going to go out there and produce more on that 80 acres than he did on the 100 acres, and you still haven't gotten me convinced on how that is done.

Mr. GOLDBERG. Congressman, for 40 years we have had soil banks, we have had set-asides, we have had diverted acres, we have had all different names but basically they were designed to accomplish the same purpose. In a given year—depending upon what weather conditions, modern technology and scientific improvement in agriculture, increased yields, what agribusiness has done for American agriculture in the areas of fertilizers and chemicals and seeds that I alluded to earlier—those all contribute to improved and increased production. It also makes a farmer more efficient, and hopefully it will help make him a little bit more money.

Mr. ENGLISH. I don't disagree with a thing.

Mr. GOLDBERG. The farmer, as you point out, is a smart businessman, and how he looks at the program and how he can maximize production in order to get the most out of both the price support program and production himself, he will do.

Mr. ENGLISH. I don't disagree with that.

Mr. GOLDBERG. As you point out, he doesn't have any choice because those programs give him the incentive. You ask why a target price has anything to do with it, and I am here to tell you that it has an awful lot to do with it.

Mr. ENGLISH. All right, now. Let's stop right there. Now tell me what the objective of the program is.

Mr. GOLDBERG. I know what the objective of the program is, Congressman, but it doesn't work.

Mr. ENGLISH. What is it?

Mr. GOLDBERG. It's to reduce production in line with our demand for existing and—

Mr. ENGLISH. Why do we do that?

Mr. GOLDBERG. Why do we do that?

Mr. ENGLISH. Yes.

Mr. GOLDBERG. Theoretically, so it will improve farm income, and we can adjust our supplies in relation to demand.

Mr. ENGLISH. To strengthen market price, right?

Mr. GOLDBERG. And it doesn't happen.

Mr. ENGLISH. I see. You don't believe in supply and demand?

Mr. GOLDBERG. Yes, sir, I certainly do.

Mr. ENGLISH. Well, then, if you believe in supply and demand and you are going to reduce the supply, what does the law of economics tell you is going to happen?

Mr. GOLDBERG. If you reduce the supply?

Mr. ENGLISH. Yes.

Mr. GOLDBERG. If you effectively reduce it, or try to reduce it?

Mr. ENGLISH. If you effectively reduce it.

Mr. GOLDBERG. If you effectively reduce supply in the total world market—and you have to take the whole thing in its context—you will increase demand.

Mr. ENGLISH. Wait a minute, now. The total world market, Mr. Goldberg? Wait a minute, now. We are talking about here in the United States. I don't know that we have a farm program for the whole world.

Mr. GOLDBERG. We have a farm program the whole world responds to. I can tell you that, Congressman.

Mr. ENGLISH. We respond to the French; we respond to the Canadians; we respond to the Australians. Everybody responds to each other because we are competitors.

Mr. GOLDBERG. Yes; we have made it a little easier for them to respond to us.

Mr. ENGLISH. I don't know about that. Maybe we have. Maybe you're right. You could be, when I see some of the responses that we have had to some of the challenges that we have gotten from abroad, and we just go back and we say, "Well, that's all the farmer's fault. Our farmer is just making too much money." That has been what our response has been.

Now the question I want to ask you, though tell me—here in the United States we are going to produce less wheat than we would have otherwise, unless you think that you can produce more wheat on that 80 acres than you would have on the 100 acres—now tell me, if you reduce that supply, what happens? Don't you strengthen market price?

Mr. GOLDBERG. If you effectively reduce it.

Mr. ENGLISH. OK. Now if we are not going to effectively—

Mr. GOLDBERG. We don't do that.

Mr. ENGLISH. If it is not going to be effective, explain to me, then, how you can produce more on 80 acres than you can produce on 100 acres?

Mr. GOLDBERG. I think, Congressman, I have tried to respond to that question.

Mr. ENGLISH. It has been pretty weak. I haven't understood it, and I daresay that nobody in this audience has understood it.

Mr. FRANKLIN. Would the gentleman yield?

Mr. ENGLISH. I would be happy to yield.

Mr. FRANKLIN. I heard complaints from the wheat-growing States earlier about the Southeastern States and the new attitude toward double cropping and, particularly, planting wheat. Were it not for a high target price, do you think that those Southeastern States would have gone to double cropping wheat and, therefore, caused the problem that exists now of oversupply?

Mr. ENGLISH. If the Southeastern States figure that they can make a dollar off wheat by double cropping, and they could still remain in the program by performing those poor conservation practices, I see no reason why they wouldn't. I would agree with you if the gentleman's point is that we made a very serious error in 1981, in allowing people who have not traditionally grown those products to get in and still participate in the program.

Mr. FRANKLIN. If the gentleman would continue to yield, I would like to further point out that in your example of the 100-acre farmer in Oklahoma, and as far as it applies to the total wheat program of the country, I don't think we can look at it in that concept. We also have to look at what that 100-acre farmer's program in Oklahoma will do the 100-acre farmer's program in Mississippi. If it encourages him to set aside 20 acres and raise 80 acres of wheat that he wasn't raising the year before, then we haven't effectively attacked the problem of supply and demand for wheat.

Mr. ENGLISH. As I pointed out to the gentleman, if you're talking about normal crop acreage and the serious error that the administration made in dropping normal crop acreage and allowing people who had not grown wheat previously to get into production of wheat and participate in the program, I would absolutely and totally agree with the gentleman. However, you still come back, regardless of whether you are talking about whether the Southeast is involved in the production of wheat or not, we are talking about the total production nationwide. They are going to grow wheat regardless, if they can participate in the program. That is exactly the point, and I would totally agree.

Now the question I would like to get back to Mr. Goldberg with, though, is if we are going to cut back 20 percent of the acreage that is producing wheat—nationwide or in the State of Oklahoma or on a 100-acre farm—how in the world can you grow more on that 80 percent than you could on the 100 percent? That is what amazes me. I never have figured out that logic. Have you an answer, Mr. Goldberg?

Mr. GOLDBERG. I think the fallacy, Congressman, is that you automatically assume that if you cut acres, you cut bushels, and that isn't the way it works out.

Mr. ENGLISH. No; what you are automatically assuming is that you can grow more on 80 percent of the acreage than you can on 100 percent of the acreage. That's what you are saying.

Mr. GOLDBERG. It depends.

Mr. ENGLISH. OK. Explain to me how it depends.

Mr. GOLDBERG. I think I've been through it a couple of times now.

Mr. ENGLISH. Try it one more time. I'm a little slow. Let's just take it step-by-step and see if you can get me to understand that.

Mr. GOLDBERG. No, Congressman, I don't think you're slow. Persistent, not slow. [Laughter.]

Mr. ENGLISH. OK. Let's try it in little bitty steps, then, and maybe I'll understand it, because I sure don't understand it. If I'm not slow, then somebody is missing something someplace.

Mr. GOLDBERG. Basically, your question is, How do you produce more wheat on fewer acres than you did on more acres?

Mr. ENGLISH. That's right.

Mr. GOLDBERG. How you do that, I guess, from a technical standpoint I tried to point out earlier: No. 1, weather conditions.

Mr. ENGLISH. Now, you're going to have the same weather regardless of whether you've got 100 acres or 80 acres. I mean, the sun is not going to shine any different, unless you think the Good Lord is involved in this thing.

Mr. GOLDBERG. Except you don't have the history of what would have happened either way.

Mr. ENGLISH. As I said, what we are talking about, we are cutting back. Either we cut back or we don't. It doesn't matter what the history is or anything else. If we cut back, there is no way that the weather is going to be any different for that 80 acres than it would have been for the 100 acres, so the weather is out. Now, what else?

Mr. GOLDBERG. However, if you didn't plant the 100 acres, how are you going to know what you got, even though you planted only 80 acres? That's my point.

Mr. ENGLISH. Next year the weather is going to be the same—

Mr. GOLDBERG. Not necessarily.

Mr. ENGLISH. All right, let's put it this way: Tomorrow is May 3, right?

Mr. GOLDBERG. Yes, sir.

Mr. ENGLISH. Now I'm going to take a gamble here. I'll bet you any amount of money you want to bet, that May 3 the weather would be the same regardless of whether I planted 80 or 100 acres. [Laughter.]

Now if you've got some kind of insight as to how that 20 percent difference in acreage planting is going to change the weather conditions over that land, then I'm going to give up because you've got something going I don't know about.

Mr. ROBERTS. Would the gentleman yield at that point?

Mr. ENGLISH. I'd like to get an answer to how this thing changes.

Mr. ROBERTS. Maybe I could help.

Mr. ENGLISH. I would be happy to yield.

Mr. ROBERTS. I will take even smaller steps than the little bitty steps.

Mr. ENGLISH. I appreciate that.

Mr. ROBERTS. We had an amendment before the committee several years ago when we were considering the farm bill, to adjust the loan rate for the amount of average rainfall that fell on farm country. We about had it passed until the corn boys really figured out what we were up to. [Laughter.]

However, I think that does have a bearing. I think the weather does have a bearing on this. In my country you're not talking about 100 acres. Let's move it up to 500 acres, and 250 of that has to lay idle if in fact we are going to have any crop next year. The problem with the program—and I realize you want program integrity—is that if you do not allow these people to produce and take part in the program, and have the timely announcement and recognize that conservation practice, they don't go to double-cropping as they do in Mr. Franklin's area but they go to continuous cropping. Then you get 500 acres in production, and then you get into a lot of different practices that do not have really a good, long-term benefit, and you get more production.

That is the thing that always amazes me. We don't have any alternative. We can't go to another crop, and so the program ends up discriminating against the traditional wheat-producing area and enfranchising the farmers in Mr. Franklin's area who, quite frankly, I don't blame for using wheat as a cash crop because they tell me that all of the rest of their crops, in terms of their prices, they are depressed. When I ask my in-laws from South Carolina why are they in the wheat business, they say, "Well, you get the tobacco business back to a profitable situation, and cotton and soybeans, then we won't go into the wheat business."

However, we had a Senator from Alabama who held up an improved wheat program for 2 weeks simply because the Secretary did not give more consideration to those farmers who plant cotton and soybeans and double-crop wheat. That was an incredible state-

ment, as far as I was concerned, and points out the value of this bill to get back to an NCA, so that there is some long-term planning and we don't have these problems that would arise.

Mr. ENGLISH. I think the gentleman makes a good point, but he still doesn't enlighten me why, on May 3, the weather is going to be different if I plant 80 percent than if I plant 100 percent. That is the question I am trying to get answered.

Mr. STENHOLM. Would the gentleman yield?

Mr. ENGLISH. I would be happy to yield.

Does the gentleman know why it is going to be different on May 3 if you plant 80 percent as opposed to 100 percent?

Mr. STENHOLM. I am about as confused with the little bitty steps as I was the intermediate steps, as I am with the long steps. I don't believe we are going to ascertain an answer to that question.

Mr. ENGLISH. All right. Let's move on, then. If we have this little hole here, in the theory that the Department is operating under, let's see if we can take the next step.

Mr. GOLDBERG. I could try one—

Mr. ENGLISH. What do you have besides the weather, now, Mr. Goldberg?

Mr. GOLDBERG. Can I try one more answer, Congressman?

Mr. ENGLISH. Sure.

Mr. GOLDBERG. Fine. Basically, acres are not acres, just as sometimes you are not comparing, say, apples with apples. What I am saying is that where you have a voluntary program and you are only going to be allowed to plant 80 acres instead of 100 acres—not comply with conservation practices, not do anything else, but maximize the best you can do under the program that has been established—you are going to select the very best acres you've got. Given whatever the weather at May 3, 4, or whatever happens, that is how you have an opportunity to do better than you might have done if you had gone the other way.

Mr. ENGLISH. Still, though—to follow your line of thinking, then—one would have to assume for some reason that that farmer, if he has the opportunity to go out and plant 100 percent, isn't going to plant his best acres. What I would suggest to you, Mr. Goldberg, he is going to plant those good acres regardless of whether he is in the program or out of the program. That still gets back to, if you are planting 100 percent, 100 percent is all. I would agree with you wholeheartedly that if he is going to lay out 20 percent, the 20 percent is going to be the worst acres he has, but I still say that you can't produce more on 80 percent than you can on 100 percent.

Mr. Chairman, I'm afraid I'm not getting too far down the road with this. I appreciate your patience. Thank you very much.

Mr. STENHOLM. Any other questions?

Mr. FRANKLIN. Mr. Chairman, could I be recognized for just 1 minute?

Mr. STENHOLM. Yes, Mr. Franklin.

Mr. FRANKLIN. I would like to ask Secretary Goldberg if you know the figures for the PIK program that we have just been through and experienced, about the percentage of acres that were set aside and the resulting reduction in total production because of

that tremendous set-aside. Did the production decrease equally with the percentage of land set aside under the PIK program?

Mr. GOLDBERG. I think the answer is no, but I don't have the numbers.

Mr. FRANKLIN. I think we all realize—I will yield in just a minute—I think we all realize that we didn't have a resulting reduction in production equivalent to the percentage of land that was set aside. I think we can all agree to that. Why not?

Mr. ENGLISH. Would the gentleman yield? We may not all agree.

Mr. GOLDBERG. You mean why not?

Mr. FRANKLIN. Why didn't we? If we reduced, if we set aside 50 percent of our farmland under the PIK program, why didn't we get a 50-percent decrease in the amount that we produced?

Mr. GOLDBERG. We get into farming practices and what acres are reduced for those that comply, and then the increases in production and productivity amongst those that don't participate in the program, so—

Mr. ENGLISH. Would the gentleman yield?

Mr. VOLKMER. Would the gentleman yield?

Mr. FRANKLIN. I would be glad to yield to Mr. English.

Mr. ENGLISH. First of all, if the gentleman could tell us what production would have been if we hadn't had the program, perhaps then we could determine whether it was 50 percent or not.

Second, I would certainly agree, and I have with Mr. Goldberg, and I don't think there is any debate over the fact that if a farmer is going to lay out some acreage, he is going to lay out the worst acreage he has. Therefore, I suppose you could say that from a conservation standpoint there may be value in that, but I would agree with that approach if that is what the gentleman is saying.

Third, if the gentleman is pointing out that the PIK program is not the best way to reduce production, I would wholeheartedly agree with that, and I think that we spent a lot of money that could have been better spent otherwise.

Mr. ROBERTS. Would the gentleman yield to me?

Mr. FRANKLIN. I would be glad to yield.

Mr. ROBERTS. In Kansas, at least, we had 19 percent fewer acres under cultivation than we did the year before under PIK, but the wheat crop was roughly the same as the year previous. The difference was that we had adequate moisture—and we are back to the rainfall business—but we had a good moisture and we had a great crop. The year before we had a freeze that destroyed one-third of our crop.

I think the key factor is, what would the surplus have been overall if we had not had PIK? Most of the estimates that I have been able to obtain from the Kansas ASCS office and the USDA indicate that we would have had a carryover of around 2 billion bushels instead of about 1.3 billion. No, it did not reduce the surplus to the extent that we would like to have the prices where they are, but in terms of at least preventing more of a surplus and continued prices that would just be a real disaster over and above what we have, I think it was effective.

Mr. FRANKLIN. Mr. Chairman, since I still have the time, if I could I would like to move back to the subject which I thought we

were here about, and that is to discuss this specific bill, if I could, and direct a question to the chairman concerning his bill.

In my area we have the ability to produce all of the covered crop commodities. Just for example, let's assume that I have a farmer that has 100 acres, and he has established a base of a fourth in feed grains, a fourth in cotton, a fourth in wheat, and a fourth in rice. Under your proposal, could that farmer then determine, by increasing two of his crop commodities that are covered by 25 percent, to plant half his place in rice and half his place in cotton, and not plant any feed grains, any corn? Do you understand my question?

Mr. STENHOLM. Let me take a run at it.

Mr. FRANKLIN. He has established an equal 25-acre base in wheat, corn, rice, and cotton.

Now, under your bill, can he then say, "Well, with that established base I am going to plant 50 acres to cotton and 50 acres to rice."

Mr. STENHOLM. He can over a period of time. He can make a change of 25 percent of any of his individual crop acreage bases after 1986, and can eventually shift his whole farm into any one of those commodities if he so chooses by changing 25 percent of each individual crop acreage base in any one year.

In the first year of the program, 1986, it is our intent to allow him to choose the distribution of his individual crop acreage bases within his overall farm acreage base, as established with 5-year history—1985, 1984, 1983, 1982, and 1981—to establish his farm acreage base. However, in the first year we propose to allow every individual farmer in the United States to determine how he wants to farm in 1986. Now this is the flexibility we are talking about, and he sets his base.

The idea behind this—and it goes back to the philosophical colloquy that we have had between Mr. English and Mr. Goldberg—is one that we are going to decide next year, and there is a distinct difference of opinion. We have been through this, and we have paid dearly because of some experiments over the last 2 years in the market-oriented approach. No one argues with that. You can just look at the budget, but the hope here is to set aside that argument and try to devise a program that will allow producers in your area who for various reasons today cannot participate—and we will hear some others, not the least of which is the limitation of payments issue that is going to trouble us in whatever we do next year—and also in Mr. Roberts' area, where we have had time and time again proven that a summer fallow producer finds it impossible to participate in the program.

Now if we can set that aside for a moment—and the question you asked, I think, is very relevant—the goal of this legislation is to devise a base allocation system that will cause your producers and Mr. Roberts' producers and Mr. English's producers to not use for an excuse, whether valid or otherwise, the manner in which bases are created and the rules are applied to a given crop year to keep them from participating in the program. Now that assumes that you are going to have a need of supply management. I happen to believe that is a valid assumption, or I wouldn't be pushing the legislation.

Mr. Goldberg has suggested that maybe that is not a valid consideration; therefore, maybe we ought to put it off until next year. I hope Mr. Goldberg will heed our chairman's request to work with this committee this time in devising it, and I certainly want to work with the gentleman from Mississippi in devising this base plan so that we in fact avoid some of the problems that have been associated with past supply management programs that don't work because I think if there is one thing we all agree to, it is that what we have been doing is not working, for various reasons.

However, the question you asked me, no. You can change up to 25 percent of any individual crop acreage base, but in 1986 it is going to be a determination for that year, and then we start individually the 5-year moving average, in the bill as currently constituted.

Mr. ENGLISH. Mr. Chairman.

Mr. VOLKMER. Mr. Chairman.

Mr. STENHOLM. The gentleman from Oklahoma.

Mr. ENGLISH. Just very briefly, again I would agree with what you said. I think you made a very good point.

There is one additional point that I would make, and that is, any legislation—whether it is this legislation or any other legislation—if we have this Secretary of Agriculture back, I think we will have to include some requirements that the Secretary act. I don't think we can leave it to the Secretary's discretion. The Secretary will have to carry them out, and that is where the problem is. We can provide the Secretary with the tools—and goodness knows, he has a whole host of tools available to him now—but the fact is, this Secretary has refused to use those tools. That is the reason we find ourselves in much of the dilemma that we are facing.

I appreciate the chairman yielding.

Mr. STENHOLM. Any other questions?

Mr. VOLKMER. Mr. Chairman.

Mr. STENHOLM. Mr. Volkmer.

Mr. VOLKMER. I don't know if you wish to discuss the matter I discussed with you yesterday at this time, with Mr. Goldberg here, or not. However, I have a little different situation in my district than Mr. Franklin has proposed but it is similar, except that the commodity that is fairly prevalent in my district is one of those that is not in the program, as I talked to you yesterday. When you have rotation of crops like I have in my district, and interchangeable, and then throw in soybeans, we raise a problem of diminishing quota for the crop.

In other words, if I interchange 1 year soybeans with corn, then the following year I have reduced my base on my corn. I would like to know if somehow we can work this out, because we have a problem in my district where wheat and soybeans are interchangeable on the same land as well as corn or milo and soybeans. Therefore, without soybeans being in here I can see, if a person feels that it is going to be a good year, that you could have a diminishing base for your program crops.

Mr. STENHOLM. If the gentleman would yield, we discussed this earlier and Mr. Bedell also testified to the same concern that you have. It is my intention to work with you and Mr. Bedell and others to draft the language to include soybeans and other crops

that might be includable in the farm acreage base but not in regard to individual crop acreage bases. As long as we have an ELS program, as Mr. Skeen is concerned about, as long as we have a soybean program in which there are no bases, there are no allotments, there are no quotas, there is unlimited production, I don't propose to change that.

However, I think we do have to include in the farm acreage base a recognition of an example you gave me yesterday, a 100-acre farm in which an individual plants all to soybeans 1 year and all to corn the next year. I think that we have to recognize that, in the spirit of this legislation, to provide a system that would equitably allow him to participate in the corn program in those years in which we have a corn program, but not have his soybeans affected so long as they do not wish to be affected. Yes, I think that can be done.

Mr. VOLKMER. The other question I have is—and I don't know if this should be addressed in this bill or if it is addressed in other parts of the law—but I understand that at the present time, if I have two separate farms within the same county and operate them together, those are put together as far as base is concerned. Is that not correct?

Mr. GOLDBERG. Yes, sir, I believe they are.

Mr. VOLKMER. Is that the intention, also, within this legislation?

Mr. STENHOLM. The intent of this legislation is to approximate as closely as possible the current system of ASCS farm numbering and the system under which it operates. There is no proposed change in this legislation, as yet, to that.

Mr. VOLKMER. All right. I just wanted to understand that when we talk about farm in here we are talking about not just each separate farm but owned and operated basically by the same people, whether it is a partnership or individual. The allocation, then, under farm program or total farm would be those total farms. I just wanted to understand that.

Mr. ROBERTS. Mr. Chairman, if I could be recognized for just one observation, I think probably there isn't a member of this committee, if he adopted his hindsight glasses, who could not find fault with any Secretary of Agriculture or any past administration dating from Secretaries Freeman, Hardin, Butz, all the way up, and even a former member of this committee who served with distinction as a Secretary of Agriculture, Secretary Bergland, on what we could have done. I can remember very well some real concern and frustration on the part of the fact that President Ford and Secretary Butz did not declare a set-aside prior to the world supply increasing so much.

However, let the record show that while my colleague from Oklahoma expresses some concerns that I have, that I think this Secretary has been most responsive in regard to the date of the wheat program and the acreage base changes that have taken place under very, very difficult circumstances in regard to budget considerations and, yes, politics that have been played on the part of both sides of the aisle. We met with the Secretary and he was worried about program integrity but he did yield to our suggestions, and it has resulted in increased participation.

These are tough, tough decisions in regard to program integrity. I appreciate the Secretary's willingness to listen. I wish he had acted earlier but then, on the other side of the fence, we delayed consideration of all of this in this very committee about 1 year ago, so he really didn't have too much of an alternative. Again, I would like to thank Mr. Cozart, Mr. Goldberg, and Mr. Hertz for your consideration and the part that you played in allowing my farmers to at least participate in the program. From that standpoint, I think under the backdrop of a very, very difficult time you have been responsive. I wanted to make that point.

Thank you, Mr. Chairman.

Mr. VOLKMER. Mr. Chairman.

Mr. STENHOLM. Mr. Volkmer.

Mr. VOLKMER. Could I address one other thing that was brought up by Mr. Franklin? That is the question of how does the base continue to increase, so you have perhaps the same amount of production in wheat as we did last year. However, isn't it true that some people who do not participate increase the amount of acreage that they—

Mr. GOLDBERG. Absolutely. Yes, absolutely.

Mr. VOLKMER. That also then, after the following year, increases their base to come within the program—

Mr. GOLDBERG. That's exactly right.

Mr. VOLKMER. So we have that problem also, and I think we need to address that problem with this legislation, also, if we are going to pursue this legislation. Otherwise, for those who don't participate and therefore increase, the following year their base is increased. You are going to continue to increase your base forever.

Mr. STENHOLM. Mr. Secretary, I too thank you and Mr. Cozart and Mr. Hertz for testifying today. Again, I would repeat that I hope that you will heed the chairman's request to work with this committee on developing this legislation this year in the best possible way, in the anticipation that it may be a part of next year's 1985 farm program. If it is not—as you have suggested, that it may be premature—then we have not lost anything by attempting to put together a bill in the best possible form and the most workable form that may have an effective supply management program, should we choose to go that way.

Thank you.

Mr. GOLDBERG. Thank you, Congressman.

Mr. STENHOLM. Next I would like to ask Mr. Earl Pryor, Mr. J.B. Cooper, Mr. John S. "Duke" Barr, and Mr. Larry Meyers, if you would all gather at the table. We will take each of you in a panel, and announce it will be the intent of the committee then to break immediately after this panel and reconvene at 2 o'clock with Mr. Tommy Fondren.

I believe Mr. Barr will be here this afternoon. He is not present at this time, so I recognize Mr. Earl Pryor of Condon, OR, president of the National Association of Wheat Growers. Mr. Pryor.

**STATEMENT OF EARL PRYOR, PRESIDENT, NATIONAL
ASSOCIATION OF WHEAT GROWERS**

Mr. PRYOR. Good morning, Mr. Chairman, Congressmen. I will attempt to streamline my testimony somewhat, due to the limitations of time.

Mr. STENHOLM. We will include your entire written statement in the record, and would appreciate your summarizing and stating those pertinent points you would like to make to the committee.

Mr. PRYOR. Thank you. I would like to go through the entire first page of testimony as you have it, to set the stage for what we are trying to point out here, and then I will try to summarize as best I can.

The National Association of Wheat Growers appreciates this opportunity to present its comments today on the Agricultural Efficiency and Equity Act. I am Earl Pryor, a wheat farmer from Condon, OR, and president of the National Association of Wheat Growers.

Since the mid-1970's the United States has produced a yearly average of 2.5 billion bushels of wheat. Considering that acreage reduction programs have been in effect for 5 of these years and that many acres have never been planted but are available for wheat production, the production capacity of the United States is quite large and certainly well above 3 billion bushels per year. Even with acreage cutbacks, the U.S. production has increased, as have year-end supplies as referred to in table 1. Exports as a percentage of U.S. wheat production have been declining, and excess stocks have accumulated over the past three seasons.

Four major factors have contributed to this situation: the relative value of the dollar; the world recession and debt load carried by many of our trading partners; world oversupply of wheat; and competition. With the respect that these forces will continue to heavily influence the U.S. wheat outlook, it is important that adjustment programs be as effective as possible and that farmers have as much knowledge as can be provided about the operation of future programs.

H.R. 4565 lays important groundwork for the design of new farm program authority, and we commend Congressman Stenholm for the effort that went into the development of this proposal. This measure addresses some of the most fundamental defects in current farm programs, and it aims to build predictability into future farm policy.

The bushel base for the 1982 session was 90.7 million acres, and a record 2.8 billion bushels of wheat were harvested on those 79 million acres. The participation rate in the 15-percent acreage reduction program was 48 percent, and 5.8 million acres were diverted.

In 1983 the wheat base grew to 90.9 million acres and a crop of 2.4 billion bushels was produced with 73 percent participation in a combination of acreage reduction, cash, and Payment-In-Kind—PIK—Land Diversion Programs. Land diverted under these programs amounted to 28 million acres.

The wheat acreage base for the 1984 Wheat Program is 93.7, and perhaps 20 million acres will be diverted under a 20 percent acre-

age reduction—10 percent paid diversion and a 10-20 percent PIK Program. Production this year will likely average between 2.4 and 2.6 billion bushels.

These statistics reveal several things. First, we can see that the national wheat acreage base has grown by 3 million acres or about 3 percent since implementation of the 1981 Farm Act. We also see that it has taken increasingly larger acreage cutbacks, ranging from 15 percent of the farmer's base acres in 1982 to 30 percent in 1984, in an attempt to keep production in line with domestic and export utilization. Moreover, we find that programs for additional acreage diversion must also be offered to gain useful program results.

H.R. 4565 would establish in permanent law the determination of an overall cropland base derived from a 5-year rolling average of the major program crops grown on a farm, including conservation acres. It would establish a system of individual commodity bases which would stairstep to arrive at a 5-year rolling average by 1991. I think we all understand the other basic concepts of the program.

In regard to the idea of using a moving 5-year production history, it has considerable merit. This approach should build stability into annual programs and limit any inflation of base acreage. In doing so, it would also make program terms more predictable for farmers. Giving base credit for land devoted to conserving use is very important. This feature will complement future conservation efforts which must be undertaken.

We are unsure of the need for individual commodity bases within the farm acreage base, as the provisions of the bill would seem to reduce the farmer's flexibility in making annual crop decisions. Further, the provision requiring a wheat farmer to report to his county ASCS committee any intended change in his crop acreage base by May 1, or 60 days before the announcement of the Acreage Cutback Program, is totally unworkable.

Farmers cannot finalize their cropping plans until they learn the details of the Government's Commodity Program. Forcing them to adjust their bases prior to the program announcement is like asking someone to commit himself to a game plan before he has been told where the goalposts are. Unfortunately, I think I have been in that situation before but I don't want to be there again.

Also, we note that the legislation does not deal with the matter of establishing bases for farmers who are unable to plant and harvest two crops off the same land in a season, or double cropping. Any workable base structure will have to deal with double-cropping practices.

Provisions in H.R. 4565 for the determination of program yield warrant further study on our part. The concept of omitting the high and low years of production history in arriving at a 5-year average proven yield would appear to run counter to current production trends, thus delaying the appearance of farm efficiencies and management improvements in a grower's farm program yield. Also, not all farmers may want to prove their yield.

In summary, H.R. 4565 makes important progress toward eliminating the fundamental problems in the operation and administration of farm programs. It represents a necessary first step in struc-

turing new farm legislation, and we look forward to working with the committee toward this end.

I would like to respond to Congressman Stenholm's concerns. I think we have addressed the fact that there is a need to include, most likely, soybeans as a part of the base acreage program. It also seems like ELS cotton has a place in this program.

In terms of double cropping and the question about summer fallow, particularly in those areas which have over 12 inches of annual rainfall, there is occasionally the opportunity for them to double crop in those areas and they would run into the same situation that we see in other areas. They would be limited in their program management by this scenario and, as Congressman English so ably commented, we have to be as efficient as we can be and use all of our resources if we are going to survive, so somewhere we need to look at that.

To reiterate again, we are really very pleased to see that conservation acres would be included as part of the base. That is particularly acute to myself. I have been a promoter of conservation for quite some time and I have lost 650 acres of base because of the loss of conservation acres, and I am not the only one out there. It has really been an impediment to any kind of conservation programming.

In regard to the remark by Congressman Roberts about the July 1 announcement date, he is very correct in his remark that summer fallow areas need that information by March 1. Really, if we could develop a program with continuity and some predictability, that kind of a goal would be attainable. As it has been, we are certainly not in that position.

Thank you.

[The prepared statement of Mr. Pryor appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you, Mr. Pryor.

We will next hear from Mr. J.B. Cooper, the legislative vice president of the Grain Sorghum Producers Association, Roscoe, TX. I am more than happy to introduce a constituent here today. J.B., welcome.

**STATEMENT OF J.B. COOPER, JR., LEGISLATIVE VICE PRESIDENT,
GRAIN SORGHUM PRODUCERS ASSOCIATION**

Mr. COOPER. Thank you, Mr. Chairman. I am glad to be here and to testify on this bill.

I want to make a couple of comments before I start my reading. The dialog this morning has shown us that we have a problem, and we are trying in this bill to take some historical facts and data that we have used in the past in bases and yields and establish something for the future, so that we will be familiar with it and not be tied to something in the past that has been a problem.

The farmer out on the turn row and in the coffee shop is ready for an honest appraisal of this situation, to look at it, because we recognize we do not have a long-range farm program or policy in the United States that we can bank on. The farmer has a problem every year: "Well, what am I going to do this year? What can I do." They are all ready and willing to do their part to produce a

profitable production in agriculture if they believe that their neighbors will do the same with them.

Therefore, I see this program on bases and yields as a good building block that will allow farmers to have confidence in the future of any type program; that they will know ahead of time how they can react to that. We have a survey from our organization, that has been rendered to us from our members. The question, "Do you favor a supply management program to keep supplies of grain in balance with demand," we had 94 percent favoring yes on that. Their method of it was through a supply management program with mandatory controls. That is true of our membership and our farmers in the coffee shop.

With that, I will get into my prepared statement. I am J.B. Cooper, Jr., from Roscoe, Tex. I am a farmer, and legislative vice president of the Grain Sorghum Producers Association. Our national office is located in Abernethy, TX, the center of the grain sorghum belt. I appreciate the opportunity to speak for GSPA in support of the Agricultural Efficiency and Equity Act of 1983 which Congressman Charles Stenholm has introduced as H.R. 4565.

I would like to submit to the committee GSPA's proposal for the 1985 farm program legislation. We call our plan the National Food and Fiber Security Program. I encourage you to note the principal objectives of this plan: to return agriculture to a profitable position; to secure an adequate but manageable U.S. production of food and fiber; and to reduce Government costs.

We are submitting this proposal to you at this time because we want you to see that the procedures we propose for the operation of a supply management program are almost identical to H.R. 4565. We have worked closely with Congressman Stenholm in development of this plan.

GSPA is firm in its belief that future farm programs must hold production in line with consumption. If you will look at the record, you will see that this country produced more corn and sorghum than we could sell in the last 6 out of 8 years. The only 2 years in which we did not overproduce were 1980, a year of widespread and severe drought, and 1983 when drought and PIK combined to sharply reduce production.

Because overproduction was allowed to continue year after year, the burdensome surplus depressed prices and created the necessity for the very expensive and dramatic PIK program. If we had prevented these stocks from building as we went along, PIK would not have been needed. A 5-percent reduction at most, or in some cases a 2-percent reduction, would have been all that was needed to hold the proper balance on our production with supply for sale.

Since Congressman Stenholm introduced H.R. 4565, GSPA has continued to hold meetings and discussions on this bill and our plan with farmers throughout the sorghum belt. There are a few provisions that we feel would strengthen the bill, to make it more acceptable to a majority of the producers. We have also modified our plan in trying to line up with this program.

One revision which we believe would be necessary relates to the farm acreage base, which we in GSPA call the farm NCA. H.R. 4565 states that the FAB for a farm cannot exceed the total cultivated acres. While we originally felt this was good, we have deter-

mined that we would lose the support of farmers in regions where double-cropping is a normal practice. We now recommend that the FAB be set at the average plantings of basic crops for the previous 5 years.

We especially like the provision that a farmer can swap one crop acreage base, what we call a commodity base, for another. H.R. 4565 limits the swap to 25 percent of the FAB during any year, and states that a farmer cannot more than double any commodity acreage in 1 year. Our board recommends that no more than 20 percent of the FAB be exchanged in 1 year and that no restriction be placed on the amount of swap of any commodity within that range.

Our reasoning is that H.R. 4565 limits a farmer to those basic crops he is planting at the time the program goes into effect. The GSPA plan permits a farmer to exchange up to 20 percent of the FAB for another basic crop, whether or not he has planted it before. This would be very important to farmers who have been planting only one or two of the basic crops. The GSPA plan would also allow a farmer to increase a small CAB faster. In both plans the total FAB would remain the same, of course.

Under H.R. 4565, a CAB exchange would be subject to a rolling 5-year average. The new CAB would be averaged with the previous 4 years to establish the CAB for the following year. In the GSPA plan the CAB, once established, would remain constant except when exchanged. Then, when a swap is requested and approved, the new CAB is treated in the same way as the original one.

GSPA's Food and Fiber Security Program does not have provision for farm yields because we recommend the future feed grain program set the loan levels at the national average cost of production. There would be no deficiency payment and there would be no need for individual farm yields for that purpose. If the target price concept is to be continued in any commodities, the provisions for establishing the farm yields should be written as they are in H.R. 4565.

Mr. Chairman, you can see that the changes we recommend are really minor, but we think they would strengthen H.R. 4565. We do support H.R. 4565 as an important first step in writing a workable farm program. By establishing permanent formulas, this program would free both farmers and administrators of much of the year-to-year uncertainty which accompanies the present system. It gives farmers the flexibility they need to adjust to changes in farming practice or market demand and, at the same time, provides a framework for holding production in line with consumption.

We must have a good supply management program, or the food and fiber system that we have, that the American people take for granted, will be gone forever.

I have also included a chart of USDA's cost-of-production estimates since 1980, showing their bottom-line profit or loss on the major U.S. crops on a per acre basis, to show how much it is costing this Nation to continue producing under the present system. On the next page of my testimony you will note that all the crops except peanuts are showing a significant loss for the last several years. Peanuts, as you are aware, are under a mandatory control on domestic production.

We encourage this committee to pass H.R. 4565. I thank you again for the opportunity to present the views of the Grain Sorghum Producers Association.

Mr. STENHOLM. Thank you, Mr. Cooper. Without objection, we will include in the record both the USDA cost-of-production sheet that you made reference to, and also the National Food and Fiber Security Program that you made reference to. I would have that placed in the record also and encourage all of my colleagues on the committee to study it very carefully as we continue our deliberations on the 1985 farm bill.

[The attachments follow:]

USDA COST OF PRODUCTION
NET PROFIT OR LOSS(-) PER ACRE*

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>(Est.) 1983</u>
CORN				
U. S. Average	\$3.40	-\$40.90	-\$61.27	-\$23.11
U. S. Northeast	-4.78	-52.29	-66.54	
U. S. Southeast	-52.42	-67.04	-60.45	
Lakes-Corn Belt	14.89	-36.61	-58.86	
Northern Plains	-15.57	-48.67	-72.62	
U. S. Southwest	41.20	31.75	-44.82	
GRAIN SORGHUM				
U. S. Average	-24.55	-37.42	-65.05	-49.21
Central Plains	-22.34	-37.68	-57.40	
Southern Plains	-25.77	-33.92	-69.75	
Southwest	-80.40	-158.23	-203.38	
BARLEY				
U. S. Average	-38.30	-46.76	-60.84	-54.03
OATS				
U. S. Average	-38.27	-28.72	-47.64	-46.21
WHEAT				
U. S. Average	-16.45	-28.14	-34.80	-15.35
RICE				
U. S. Average	59.90	53.61	-99.82	-69.93
SOYBEANS				
U. S. Average	16.82	-11.67	-33.99	
SUNFLOWERS				
U. S. Average	-16.48	-7.16	-29.02	
PEANUTS				
U. S. Average	-57.87	207.17	153.59	Mandatory Control on Domestic Production
FLAX				
U. S. Average	-6.40	-19.96	-31.49	
COTTON				
U. S. Average	-37.15	-96.76	-114.03	

*Does not include any return to management or government payment income.

Source: U.S. Department of Agriculture - ERS
Economic Indicators of the Farm Sector, Costs of Production, 1982
(1980, 1981, and 1982)

GRAIN SORGHUM PRODUCERSNATIONAL HEADQUARTERS
DICKERTELEPHONE 883-2242
AGRESTHAY, TEXAS 75011**ASSOCIATION****A NEW CONCEPT:**

Grain Sorghum Producers Association has spent more than a year developing the National Food and Fiber Security Program. The plan first emerged in February 1983, when the sixteen-man GSPA National Board spent an entire day brainstorming farm program ideas. GSPA then took these ideas to their members in a questionnaire. Member response was overwhelming and decisive, with almost half of the questionnaires returned. The GSPA Board developed the plan and took it back to their members, who approved it in fifteen regional meetings held throughout a five-state area. On March 4, 1984, the GSPA National Board formally adopted the National Food and Fiber Security Program as Grain Sorghum Producers Association's proposal for the 1985 Farm Program. A number of other farm organizations have adopted all or part of this plan for their own official policy.

NATIONAL FOOD AND FIBER SECURITY PROGRAM**I. Objectives:**

- A. To return agriculture to a profitable position
- B. To secure an adequate but manageable U.S. production of food and fiber
 1. To assure the American consumer of a consistent and abundant supply of U. S. farm products
 2. To assure the world that the U. S. will be a reliable and aggressive exporter of agricultural commodities
- C. To reduce government cost

II. Implementation:

- A. A National Production Goal shall be established by the Secretary of Agriculture for each basic food and fiber commodity each year. The National Production Goal for a given year will be the estimated consumption (domestic and export) plus a National Security Reserve. Any carryover brought into the marketing year will be subtracted from this amount before establishing the National Production Goal.
 1. The Estimated Consumption for the year will be the previous three years' average consumption trend adjusted for international political agreements which will affect consumption.
 2. A National Food and Fiber Security Reserve will be maintained by the Secretary of Agriculture as a safeguard against unpredictable world weather and market conditions. The National Security Reserve will be limited to no more than 16% of the normal annual consumption. Storage and interest on the National Security

Reserve will be paid by the government. The National Security Reserve will be divided into two categories:

- a. One-half (8%) of the reserve may be released after the national average market price has reached 110% of the National Commodity Security Price.
 - b. The second half (8%) may be released after the market price reaches 115% of the National Commodity Security Price.
3. Any Carryover stocks in excess of the Security Reserve will be deducted from the National Production Goal. This annual adjustment will prevent surplus from building.

ESTIMATED CONSUMPTION + SECURITY RESERVE - CARRYOVER = NATIONAL PRODUCTION GOAL

B. Normal Cropland Acreage (NCA)

1. A Farm NCA will be established for each farm by a five-year average of the total acres planted to basic crops, including PIK and ARP acreage.
2. A National NCA will be determined by a five-year average of the total basic crop acres, including PIK and ARP acreage, not to exceed the total of all Farm NCAs.

C. Commodity Base Acreage

1. A Farm Commodity Base Acreage will be established as follows:
 - a. Each farmer may divide his Farm NCA into Commodity Base Acreage that best suits his land, water, fertility and rotation pattern. Total acres of all his Commodity Base Acres may not exceed his total Farm NCA. Once established, Farm Commodity Base Acreage will remain constant except when exchanged as follows:
 - (1) Signup for exchange is made in the County ASCS Office two months prior to the mandated date for the announcement of the following year's Commodity Program by USDA. This will allow USDA adequate time to adjust the National Production Quota.
 - (2) Exchange does not exceed 20% of Farm NCA per year.
 - b. A farmer may exchange one Commodity Base Acreage for another Commodity Base Acreage, provided:
 - (1) Signup for exchange is made in the County ASCS Office two months prior to the mandated date for the announcement of the following year's Commodity Program by USDA. This will allow USDA adequate time to adjust the National Production Quota.
 - (2) Exchange does not exceed 20% of Farm NCA per year.
2. The National Commodity Base Acreage will be the total of all Farm Commodity Base Acres.

- D. The National Commodity Per-acre Yield will be a five-year average of national per-acre yields adjusted to reflect average yield improvement trends.

- E. The National Commodity Production Acreage will be determined by dividing the National Production Goal by the National Commodity Per-acre Yield.

$$\text{NATIONAL PRODUCTION GOAL} \div \text{NATIONAL PER-ACRE YIELD} = \text{NATIONAL PRODUCTION ACREAGE}$$

- F. The National Commodity Quota will be determined (in percentage) by dividing the National Commodity Production Acreage by the National Commodity Base Acreage.

$$\frac{\text{NATIONAL COMMODITY PRODUCTION ACREAGE}}{\text{NATIONAL COMMODITY BASE ACREAGE}} = \text{NATIONAL COMMODITY QUOTA}$$

- G. The National Commodity Production Quota will then be applied in the same ratio to each Farm Commodity Base Acreage.

Example: If the National Commodity Production Quota is 85% of the National Commodity Base Acreage, each farm may plant 85% of the Farm Commodity Base Acreage.

1. The remaining acres will be placed in a soil and water conservation program (Conservation Acres).
 - a. No harvested production will be permitted on Conservation Acres.
 - (1) Grazing will be allowed except during the six months normal growing season.
 - (2) Haying will be allowed only when the area is declared a disaster by the local ASCS.
 - b. Conservation Acres must be rotated annually. No land may be counted as Conservation Acres more frequently than every third year.
 - c. Conservation Acres must be managed according to conservation requirements of local ASCS.
 - d. Fragile land may be removed from cultivation by seeding to grass or other approved conservation practices and counted as setaside for a longer period (possibly 5 years). Such a provision might require that setaside acreage be increased to assure removal of average yield equivalent.
2. Total cross compliance will be required.
3. A marketing card will be required for sales of commodities. Compliance will be necessary to receive a marketing card. A penalty will be imposed for non-compliance.
4. Substitution will be allowed when a crop is destroyed by natural disaster after the planting date for that crop. A release must be obtained through the local ASCS.

H. National Commodity Security Prices

To assure adequate and constant supplies of food and fiber, it is necessary to assure the average producer that his reasonable production costs will be recovered. A National Commodity Security price will be set by the Secretary of Agriculture at the national average cost of production, using the average tenant cost of production as computed by USDA on three-year average yields. The National Commodity Security Price will be assigned to each region according to the normal price differential caused by market demand, transportation costs, etc. (Similar to current CCC Loan allocations).

1. Purchases or sales of farm commodities will not be permitted at prices below the National Commodity Security Price for the region except for normal quality discounts for grades below normal trading quality.
2. Price supports will be made to producers at the county National Commodity Security Price less all carrying charges (such as storage and interest) at rates equal to government cost on each. This will assure that there will be no net cost to the government in administering the loan program to enable producers to follow an orderly marketing program.

I. Exports

Exports of agricultural products are essential to the balance of trade and the general economy of the United States. To establish itself as a reliable and stable trader, the U. S. should announce to the world that it will maintain its recent average share of the total world export market and our share of any increase in world consumption and, if necessary, will use:

1. Subsidies to keep the price of U. S. commodities competitive in the world market
2. Credit programs equal to foreign competition.

The NATIONAL FOOD AND FIBER SECURITY PROGRAM

is GSPA's Plan to give farmers

FLEXIBILITY

LONG-TERM PLANNING

and an OPPORTUNITY FOR PROFIT

Mr. STENHOLM. Testifying for the Fertilizer Institute, Mr. Larry Meyers, vice president for legislative affairs.

STATEMENT OF LARRY MEYERS, VICE PRESIDENT, LEGISLATIVE AFFAIRS, THE FERTILIZER INSTITUTE

Mr. MEYERS. Thank you, Mr. Chairman and members of the committee. The Fertilizer Institute appreciates this opportunity to present its comments today on the Agricultural Efficiency and Equity Act. On behalf of our membership, we support the bill because we believe it provides a solid groundwork for bringing a more businesslike approach to American farm policy.

By way of background, the Fertilizer Institute is a voluntary, nonprofit association whose members represent approximately 95 percent of the fertilizer production in this country. The institute represents approximately 300 member-companies, including producers, manufacturers, traders, retail dealers, and distributors of fertilizer materials.

Mr. Chairman, with your permission I would like to summarize our statement today and be willing to answer any questions the committee may have, and would like for our full statement to be entered into the record.

Mr. STENHOLM. Without objection, your full statement will be made a part of the record, and we welcome your summary.

Mr. MEYERS. Thank you, Mr. Chairman.

As I mentioned in our opening statement, we support H.R. 4565 because it takes a fundamental step toward bringing more predictability into the future farm policy. By its very nature, agriculture is a very unpredictable business, and our industry faces constant challenge and a balancing act between supplying needed crop nutrients without delay and avoiding the overproduction situation that depresses both agriculture and our industry.

Mr. Chairman, it takes months to move nitrogen from the Southern gas belt, phosphate from the Florida mines or potash from the Canadian and New Mexico mines, and it takes years of advance planning to decide when to open these mines and when to open these plants. For the time that is built into these things, and additional time that our retail dealers and our bulk blenders must have to decide soil samples, the analysis of those soil samples, to mix properly the fertilizer to match each farm, all these things total time. For these reasons, the Fertilizer Institute has repeatedly come to Congress and their farm colleagues and asked for more early announcements of farm programs.

The industry's capital investments and our position as a major employer are evidence of our commitment to continue to supply the American farmer with this essential crop input and our goal to help insure that farmers can continue to count on us for a dependable supply. Stability and predictability in a farm policy are the keys to this industry achieving those goals.

Mr. Chairman, it may come as a surprise to some that the Fertilizer Institute would support a bill like this one which could offer a framework toward production controls, particularly when it is known that fertilizer use per acre has been flat for several years, but our industry realizes that there is no profit in fertilizer if there

is no profit in farming. That is the reason the fertilizer industry can support some type of constant production controls in the near term.

We would hope that this type of program would be on a short-term basis and that food and fiber demand can be stimulated through various export programs to continue to expand, and eventually we can return our farmers to the point of maximum production and maximum efficiency. It is this efficiency of scale and lower per-unit cost of production that we see as being the most successful policy for the American farmer, but we also realize that overproduction—a fact with our basic commodities—results in very low profits—if any profits—for the American farmer, and this is having a very serious impact on those farmers and their input industries such as fertilizer.

In approaching this problem, we in the fertilizer industry know that we cannot live through another dramatic, last-ditch reduction effort like PIK. It is far better to have a predictable, constant supply management program that can lead us carefully, in a businesslike way, out of the current oversupply situation. This bill, H.R. 4565, appears to be the beginning of a more businesslike approach to current farm problems.

We welcome and support your initiative today, Mr. Chairman. We have not commented today on the specifics of this legislation, preferring rather that the affected farm groups consider the specifics, and we in turn will add our voice to those who seek the consistency that we hope to achieve through farm policy.

However, we do know that the issue of base acres remains a point of confusion each year for both farmers and their support industries as we try to estimate the demand that farmers are going to have from year to year for fertilizer materials. H.R. 4565 would appear to make important progress toward eliminating this fundamental problem and thus bring a more predictable and indeed a more businesslike approach to farm programs.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Meyers appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you, Mr. Meyers, for a very excellent statement.

Mr. Pryor, you observed, as others have, a problem with the provision of this bill that requires a farmer to report to his county ASCS committee any intended change in his crop acreage base 60 days prior to the announcement of the program. I concur with that, but I guess I want to amplify my reasoning for putting it in there.

I believe that we are moving and are going to continue to move toward a so-called market-oriented program. I think we have different definitions of what we mean by market-oriented, but I think obviously any program has to be market oriented. I also like the concept that we got in the recently passed farm bill of a trigger mechanism that puts into permanent law certain things that will occur, should market conditions—namely, carryover—reach certain levels. I think that is another one of the fundamentals that must be included in any future legislation.

With that in mind, it occurs to me that we are going to have to choose a system as we proposed, of allowing farmers to somewhat

be the judge of what the carryover is going to be, what the export markets are going to be, based on the best information we have periodically available to us. Individually we farmers will be looking at that. If in our judgment we believe that we want a change for market reasons, we can change, though I happen to believe most changes in Crop Acreage Bases will occur for other than market reasons—I think conservation, need of rotation historically have been more of a basis for wanting to change the way we farm, but I am not assuming that. I guess my question is, for you to comment on as we look at the final draft of this bill, if we want early announcement of programs, which we do, would it be better for us to allow individual farmers to make our decisions and then plug that into the overall crop acreage base—wheat is what you are concerned about today—and then have the resulting mix of set-asides, diverted acres, or whatever will occur in the farm program be subject to the determination of the individual farmer, or let the department, as we now do it, make that determination with no flexibility to adjust individually. Comments?

Mr. PRYOR. It would seem to me that one way to help solve this situation might be to allow a farmer to make a tentative indication of where he would like to put his crop acres at a date prior to the announcement of the programs, based on what his information is. Perhaps then the Department might be able to react to that and to try to structure their programs, trying to get a balance of product.

I think each individual farmer would really have reservations about being locked into production. Within our organization it is obvious, in any discussion that goes back to the old NCA concepts, I believe, that frankly we thought those worked to some degree and we are still looking over our shoulders and that kind of a concept.

Mr. STENHOLM. Well, the farm acreage base is a close first cousin to the NCA concept.

Mr. PRYOR. Yes.

Mr. STENHOLM. I also would observe, we sign up and I guess we farmers want to have our cake and eat it too. That is part of the problem with effective supply management programs that we are going to have to deal with, but it occurs to me that if we want the flexibility of changing our minds, depending on various changes in weather and what have you, we are going to be locked into some of the same problems that have brought us to where we are today economically.

I guess my question again would be to you, that we are going to have to answer before we go to final draft on this, do we want to keep it like it is, in which we lock in a crop acreage base and do not give a farmer a chance to make a change—that is the status quo—or are we willing to allow farmers to make a determination? I would submit to you that, even if we have to do it 60 days ahead of time, that is better than what we have today—admitting I may have difficulty making that decision, but that is my decision and I kind of like the idea of the flexibility of this bill, of giving farmers a chance to make our own determinations. We are going to have to look at how we can structure the legislation better, if we are going to allow us the flexibility to change our minds after the Secretary makes his decision. Then we've got problems with the cost factors and the workability of a supply management program, do we not?

Mr. PRYOR. I think one of the problems that we are really speaking to is market demand and what farmers want in a new farm program. We hear differing voices between mandatory controls and market-oriented supply-demand programs. I think before we can really address that in a concrete fashion, we need to perhaps look at that kind of a discussion. Perhaps in your deliberation on this bill, you might be looking at scenarios to fit either one of those concepts because they may have a marked impact on one position or the other.

Mr. STENHOLM. In regard to the double-cropping, would you amplify a little further your association's position on double-cropping and how the farm acreage base and the individual crop acreage bases should handle the double-cropping question?

Mr. PRYOR. That's a tough question. I think we recognize that, particularly in the soybean growing areas, that they need this kind of flexibility. We would probably be the first ones to recognize, probably they are the most efficient wheat producers we have now in terms of cost. I think we have some built-in advantages, but in terms of unit cost per bushel of production they get to use their resources twice in several instances, and for that reason they can produce it at least cost and it helps their cash flow.

By the same token, we as farmers would like to have the same kind of flexibility when we have the opportunity in fallow areas, when we are blessed by weather, to have that flexibility to take advantage of resources, so there is where push comes to pull or whatever kind of a definition you would like to have. I don't have a solution for that. I wish we were in a position where we had a good enough market that we could stick to proven and traditional practices of farming, but that is not the case. Until we return to that kind of a situation, we are going to have a continuation of innovation and change in farming, trying to make the best use of our resources.

Mr. STENHOLM. It's a difficult dilemma, and I guess my philosophy that went into the part that I am talking about now—not what's in the bill—but I believe it is important that we recognize this capability. As a wheat grower in dry west Texas, I would like to see a producer in the wet Southeast, if we have to have a set-aside program, participating in that program and reducing his double-cropping to contribute solving to the overall supply problem in 1986 and beyond, rather than have a situation as we have it today in which they are doing it outside the program and not having to participate. That is in the overall concept, assuming we are going to have a supply management program.

Mr. PRYOR. I might react to that, in the fact that I think the members of the wheat community would probably endorse a set-aside program where everybody set aside the land in the set-aside requirement and didn't put a crop on it. We have been felt to be at a disadvantage because we couldn't put an alternate crop on those acres, unless we could recrop barley or something like that which put us in an equity position with other areas, so I guess that is our basic concern in this kind of a scenario.

If everybody were on equal footing, if we had cross-compliance and we had a level playing table, I think we would endorse that. The problem with our programs in the past, we have been giving

away so much to comply with the program, we couldn't play the game, so we were forced to the alternative of trying to change the program. It's as simple as that.

Mr. STENHOLM. Mr. Cooper, would you comment on the same question regarding the double-cropping?

Mr. COOPER. Yes, Mr. Chairman. I feel that the program, to get the base and yield thing to function properly we ought to start where we are. That is the normal practice in certain areas of the country, and we have a very small amount of it in west Texas. It's more of a catch crop. It's not double-cropping; it's catch-cropping more than it is double-cropping, but we feel that should be part of the program and then any future deviation or cutback, they should share likewise in that to make effective participation in any type of program. This base and yield thing would be a good building block for supply management and, if there is not a supply management program, it is certainly not going to hurt to have this thing in focus for the future.

It appears to me that any time a commodity does well and starts to make any profit at the marketplace, here comes the other segments of the area with people that jump into it all of a sudden. This program will not eliminate that; it restricts it to a gradual phase in situation, to where we can live with it, and I think therein lies the secret of this thing. Let's put in a double-cropping provision in your program and let them share in your program, and let's just make the thing work with proven practices or practices being included throughout the country.

Mr. STENHOLM. Mr. Meyers, would you have a comment on either of those two questions, not necessarily from your current position, but you have had a lot of experience in the past dealing from the administrative standpoint on workability of farm programs, and I would be interested in knowing your observations on that point.

Mr. MEYERS. My personal observation is that you should include a provision so that double-cropping would be covered by this type of legislation. We have a tremendous ability in this country to focus farm programs because we do have the county ASCS system that can adapt to local situations, and as I was listening to the answers here it strikes me that a double-cropped situation could simply be an asterisk at the bottom of the explanation. A farmer would have to certify—in this case of the discussion today, wheat—as his double crop, and the ASCS would take that notice. He would have to utilize that double-crop perhaps in 2 out of 3 years, something like that, for it to continue to qualify. He would know and the USDA would know that his total base, then, is above his total number of acres, ability to plant, and that is why you have to have the asterisk or secondary notice that it would be a true secondary crop.

The difficulty in ignoring double-cropped acres, then you force farmers outside the program and that is where we get our wild swings that prove difficult for the financial community, farmers from a financial standpoint, and input industries like fertilizer to be able to supply. I think we have a tremendous ability now to see what the alternatives are, and we know—1983 proved to us—that we can vastly overproduce our markets. We have two choices; we

can try to control our production slowly and gradually to meet those markets, or we have to rely on a dramatic action like PIK. Speaking, as I have to today, for the fertilizer industry, that is not an acceptable industry.

Mr. STENHOLM. Mr. Roberts.

Mr. ROBERTS. Yes; thank you, Mr. Chairman. I have one question for all three, and would like for Earl and for J.B. and for Larry to comment.

Let's go back in the past for a moment, and I suppose I could say to return to those thrilling days of yesteryear and the sound of the great horse free market and the thundering hoofbeats of \$5 wheat, and so on and so forth. If we were to somehow regain our 70 percent of our export shares, as opposed to the 47 percent, what would that do to our supply-demand needs and our acreage base plans here? Earl, would you like to comment on that?

Mr. PRYOR. It would seem to me that I enjoy looking at that vision.

However, you are suggesting that this proposed plan would not work in that kind of a scenario?

Mr. ROBERTS. I am not suggesting that. What I am really referring to is, on page 3 of Larry's testimony he said, "We would hope this type of program would be on a short-term basis, and that food and fiber demand can be stimulated through various export programs so that we can return eventually to the point of maximum farm production." I think we would all share that goal to a certain extent and I am just wondering, if we were able to get back to that—I am not saying we can, I am not even saying we should to a certain degree—but what would that do to this kind of program? Would there be a need for this?

Mr. PRYOR. It would seem to me that we have a tremendous capacity to produce, and the real challenge is to try to expand our markets. I don't know. This is getting away somewhat from the discussion, but we are talking about really structuring ourselves to maintain an equitable base in a period where we have oversupply conditions. It would seem to me that we need to do—our organization is really looking at three concepts.

No. 1, we think that a conservation program and its attendant effect to reduce production is probably the cornerstone to any new farm program that we are looking at. Second, we have to expand our marketing opportunities; and a third thing is, the farm program as we look at it is merely something to provide a safety net when all of those other avenues by some aberration, either market supply or whatever, impact that marketing program.

We are very concerned about the fact that the valuation of the dollar, in our judgment, has probably had more impact on our loss of markets than any other single segment. We have looked at a minimum, in terms of real value, increase in the dollar by 50 percent since 1980. We have lost, in the last 2 years, we have lost 10 percent of our world market in wheat, which amounts to a high degree in terms of our percentage, as you indicated.

It seems to me that we could make better use of our resources by trying to expand our market and pumping it back into our supply base. It is my personal conviction that we could make better use of the PIK bushels by putting them out as a bonus basis, trying to get

back our share of the market, than we can by going to budget authorizations trying to get dollars in various schemes to take care of that.

The problem with the domestic PIK is that you dump those bushels right back on top of the reduced acreage and that production that you are trying to reduce. You end up not helping the domestic market, but merely dumping excess bushels on that. It keeps the price down and we don't see any increase in the domestic structure. It seems to me that we need to take those bushels out of the domestic market totally, put them out in an incentive program, and try to regain our share of the market.

Under the GAT situation, we are allowed to regain or to maintain our equitable share of the market, as long as we don't substantially undercut our competitors, and I don't see that we are substantially trying to alter our market share when we are trying to get back the other 10 percent. It seems to me that we need to move forward in trying to stake out our share of the market instead of turning the other cheek.

Mr. ROBERTS. If I might just add one thought, I guess what I am really asking for is that even if we do, even if we are able to expand our exports, Mr. Stenholm and I have agreed many times that there is no such thing as a free market. It is not out there. We always have people who want to wear the Secretary of Agriculture's hat, in Washington or elsewhere. Still, with that, and still with increased world demand there is still a good cause and reason for stability in farm program policy through this kind of an NCA plan. I guess the answer I was looking for was yes.

Mr. COOPER, would you care to comment?

Mr. COOPER. I would like to respond to that, Congressman. I think that you have a very good point, and it's a position we would like to be in. This program, it would appear to me, would be ideally made for that in that the farmer, anticipating that there is—normally not all commodities share equally in the profitability at any one time. We accept that. Then when one commodity comes along and is doing well for some reason and has a good market possibility, the farmer can adjust his CAB that year 25 percent for that commodity if he so chooses, before the announcement is made, anticipating that it is going to be a good situation.

Theoretically, then, if there is apparently not enough acres to provide the production needed for that, there is nothing wrong with the Secretary saying, "Well, you all can plant 115 percent of that base this year," and give the farmer an opportunity to add to that after he makes the initial decision. I think it's a perfect, tailor-made thing for hopefully continuing to expand our export market and everything. This is the tool that could do that, and it helps two crops. It helps the one you take it away from, to get it in a better situation, and it provides you an opportunity to move into market with a commodity that is doing well.

Mr. ROBERTS. You said that just like we planned it. [Laughter.]

Mr. MEYERS, would you care to comment?

Mr. MEYERS. Thank you, Mr. Roberts. I would like to comment and expand on the statement that was made about using our PIK commodities as an export bonus. The Fertilizer Institute has adopted an agricultural policy which would include that concept. J.B.,

we call it a market enhancement program, since PIK seems to have fallen out of favor, but the base proposal that you are discussing today seems to fit exactly.

This is our proposal and our thought that we offer only as an offering of a suggestion at this early stage in the farm bill considerations and that is, study our productive ability in this country and our markets, both domestic and foreign, so we will know what our potential is. Grow for that market. Control our production so that we don't overgrow for those markets. Continue the farmer-held reserve program, to absorb the surpluses that Mother Nature will necessarily give us and to have surplus commodities when we need them, in times of short supply.

When Mother Nature is too beneficial to us and we have too much in the farmer-held reserve system, cap that system at a manageable level and when commodities go into it above that cap, then you have your export-type PIK program or, as we call it, a market enhancement program that you can use these extra commodities on a 2-for-1 basis or whatever to help expand your market sales overseas, but tie them to additionality. Only make these PIK commodities available when a country agrees to buy more than what it has bought in the past. That way you don't run into conflict with your grain companies and your normal sales.

Above all, tie all this in a neat little bundle with long-term contracts, long-term agreements with our overseas customers. Let's have them tell us what they want us to grow for them in future years, rather than having the United States serve as the largest and residual supplier of grain.

Mr. ROBERTS. I appreciate that.

J.B., do you really want to go down the mandatory road? Every time I ask my producers out in Kansas what they would like to do, I am getting the same kind of feedback. They worry that their neighbor is not into the program and they have gone into the program and, like Earl, they have lost their acreage base and they haven't added to the surplus, and they are frustrated and mad and angry. They are saying, "By golly, if the current voluntary program isn't working, let's go mandatory. By golly, let's get that production down."

Then I say, "Well, would you have supported the mandatory program under option A that the Department offered here several months ago?"

"Oh, no, not that mandatory program. I want a mandatory program with an acreage base I can live with," and "I want a mandatory program to force those old southern boys out of that wheat production," and "I want a mandatory program with a loan rate at parity or maybe, you know, a 90 percent loan," and "I want a mandatory program" if it's with all the if's, and's, and but's.

What worries me is that we went through a minifarm bill here where we couldn't get corn to ride sidesaddle with us, we couldn't get the South to ride sidesaddle with us without some concessions to them, and I worry that we won't get any farm bill passed. I just basically worry about anything mandatory coming out of Washington, if you want to know the truth.

What is your response to that?

Mr. COOPER. I believe the word "mandatory" has a bad connotation for all of us—farmers, politicians, the public, everyone.

Mr. ROBERTS. In my personal view mandatory means that if any southern farmer gets into wheat production he is shot at sunrise, but that may be a little harsh. [Laughter.]

Mr. COOPER. I think that the farmer out in the coffee shop at home is using the word "mandatory" because he is in a financial crisis now, and he is willing to risk anything to get out of a financial crisis if he knows we will get the thing accomplished.

Mr. ROBERTS. That's the key. It's because of the price and the frustration with a current farm policy that is not working, that they want to jump out of the frying pan to somewhere, but I worry that it is going to be a mandatory fire.

Mr. COOPER. Let me offer a suggestion on that, in that what can we do about creating a voluntary situation that it is going to be right near required that a guy go into the program, and leave the word "mandatory" out of it. Let's leave the option— [Laughter.]

Mr. ROBERTS. A voluntary-mandatory program.

Mr. COOPER. Would you go along with that? Let's leave the option where a farmer does not have to go into the program, but let's make a penalty or take away the benefits or do something to where we are going to get effective participation.

Mr. ROBERTS. Mr. Marlenee from Montana and I have introduced a voluntary-mandatory, equity-fairness, two-tier, bushel pricing bill that will do just that.

Mr. COOPER. That sounds good. I like the sound of that. [Laughter.]

Mr. ROBERTS. I forgot parity. Put parity in there.

Mr. COOPER. No, let's not get too many in there.

Mr. ROBERTS. Oh, and apple pie and John Wayne, too. [Laughter.]

Earl, may I ask of you, sir, would the changes that we have made in the 1984 program and the 1985 program in wheat, did that make a big difference to you up there in Oregon like it did on us in Kansas? That's a leading question.

Now you were talking about your conserving use acreage, and now at least in terms of that idled land and that stubble, you can designate your PIK and your diversion payment and your conserving use acreage requirements on that stubble ground, and you can go to an alternate crop in terms of barley, and you have that situation locked in for 1985 in terms of some planning. Will that be of some help to you up there?

Mr. PRYOR. Absolutely. I think that is a very livable program at this time. It is unfortunate that we couldn't achieve our results without that kind of a slippage in terms of feed grain production, but that was the only way you could get it so that you could live with it. Farmers have to make a living and meet their cash flow requirements, and under the present scenario we couldn't reach it any other way. We purposely looked for the paid diversion to give some up-front dollars where people are in tight financial straits.

Mr. ROBERTS. I appreciate that.

I have no further questions, Mr. Chairman. Thank you.

Mr. STENHOLM. I might comment a little on helping to put a definition on that voluntary-mandatory program concept. We have an example that will be before the House next week in which this

committee voted a sodbuster bill that provided that voluntarily any farmer could break out highly erodible land. He can do this. We are not saying that any farmer cannot do that but what we are saying is, if he chooses to do that, that he is going to lose all program benefits. The basic concept is that any farmer that chooses to farm erodible land should be allowed to do that—assuming his neighbors let him, and that is a problem you get into there—but if he chooses to do that he should not expect the taxpayer or anyone else to subsidize him in doing it.

Now all heck has broken loose on this, and folks saying we are taking away the rights of individuals. We are not taking away any rights. I think that same concept we should explore, as we get into the 1985 farm bill, is allowing freedom for folks to participate in the free market but make sure they have that opportunity. There may be some interesting little side effects we can have from that.

Mr. Franklin.

Mr. FRANKLIN. Thank you, Mr. Chairman.

I want to direct my question again to Mr. Cooper on the same thing that Mr. Roberts was talking about. In the mandatory aspects of this program, it appeared to me that for this kind of concept to work there would have to be mandatory requirements for participation. After a fellow, for instance, decides what his base is going to be—you are going to give him that alternative, he determines that, he adds to it or subtracts from it under the provisions of this bill—would you be willing to favor the same kind of provisions that you testified concerning mandatory participation, without the guarantee of cost of production as a loan?

Mr. COOPER. I think that to provide a requirement like this without some safety net at this point in time would not be acceptable to the producer. We feel out in the country that if we could produce on 80 or 85 percent of our farmland necessary production to provide the supplies at a profit—we're talking about profit per unit, per acre, whatever you want to call it, per farm—where the farmer can go back and do the kind of for-conservation and practices that we are used to doing and like to do and should do, that is what we are looking for. We had rather get a profit from the marketplace, and the only way we can see getting to the marketplace is to control the supply, into the production of the supply that would create the market at the price that would be equitable to us.

Mr. FRANKLIN. I understand the theory, sir, but what happens when we get into a situation where the cost of production in the United States exceeds the world market price of that commodity?

Mr. COOPER. That is a real different situation. It happens in our export situation, and I would say there I would look for us, the U.S. Government and agriculture, to make a commitment that we are going to maintain and continue our fair share of exports and marketing, and whatever enhancement program we might need there might be better than any subsidy payment to the producer himself.

Mr. FRANKLIN. Would you be willing to accept as a long rate, if it is going to be based on a given like cost of production, world market price?

Mr. COOPER. I didn't hear the last part.

Mr. FRANKLIN. Would you be willing to substitute most of production as a guarantee loan for the term of world market price?

Mr. COOPER. There needs to be some recognition of that, yes, I agree with you, to make things move. It is a difficult situation but we believe that if the restriction on production is effectively employed some way, that over a couple of years we will get to the place where the cost to Government will be nominal. That is what our hope would be.

Mr. FRANKLIN. That is what we are all shooting for but the question is, how do we go down that road to get to the end of it?

Mr. COOPER. We are going to have to breach this chasm between now and then to effectively get there.

Mr. ROBERTS. Would the gentleman yield at that point?

I noticed in your testimony, J.B., that you were talking about there wouldn't be any need for a target price under this system, and I didn't understand that.

Mr. COOPER. OK. That's on our grain. On our Grain Program, on our security plan, the Food and Fiber Program that we have attached to the back of the statement there, we are not looking for a target price in our commodity. We are looking, rather, for a support price, probably a loan price at about 95 percent of the average U.S. cost of production, that would be the safety net for us at that point in time. We recognize that perhaps cotton would need a target price because of its competition with synthetics and other factors, and that is the reason we say in there that we don't object to the 5-year averaging of yields to establish yields, but our program does not call for a target price support of the U.S. Treasury to grain sorghum.

Mr. ROBERTS. I would only add, if you have a target price for cotton I am not sure you can not have a target price for any other crops or vice versa. I didn't understand how that would function, and I appreciate the response. Thank you.

Mr. COOPER. Yes, sir.

Mr. STENHOLM. I think I need to clarify again, now, the "Food and Fiber Security Plan" is a proposal for the 1985 farm bill. It has nothing really to do with the concept of bases and yields, and we keep wanting to get into that for the same reason that we started with the Secretary this morning, because the only reason you need a workable base and yields program is if you are going to have some kind of supply management program.

That's obvious but what we are proposing is, let's not presuppose that but let's start talking about it anyway, which we are doing all over the country today, and what I wanted to do right after Mr. Meyers' comment was insert the words, "my opinion." You just defined the free market system about the best anybody could, between the three of you, just a moment ago in talking about market expansion and maintaining markets and how we function. It was one of the best examples of what I personally consider market-oriented agriculture that you could give, and that's what we are all talking about. I think we are talking about effective market-oriented supply management. Any business has to have that to stay in business.

I would like to ask each of you or your representative if you can stay over this afternoon. There are going to be some additional questions that we may want to get wheat and grain sorghum in particular to comment on. If your schedule will permit you, we

would love to have you back this afternoon. If not, well, we will certainly be in touch with you and your representatives in putting the final touches on this before we go to markup. We thank you for appearing and testifying. We will recess now until 2 o'clock.

[Whereupon, at 1 p.m., the committee recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

Mr. STENHOLM. We will resume the hearing on H.R. 4565, and the first witness this afternoon will be the Honorable Jack Hightower, a Member of Congress from Texas, the 13th Congressional District, also a member of the Agriculture Subcommittee of the Appropriations Committee. We welcome you, Jack.

STATEMENT OF HON. JACK HIGHTOWER, A REPRESENTATIVE OF CONGRESS FROM THE STATE OF TEXAS

Mr. HIGHTOWER. Thank you very much, Mr. Chairman, members of the committee. It is certainly a pleasure for me to appear before the committee today, and I commend you for the hearings that are being held to establish a reservoir of information with which to develop the 1985 farm bill.

I have just finished participating in 2 days of hearings in my own district, as you know very well, Mr. Chairman, and I thank you again for your participation in those hearings and the leadership that you demonstrated. During those hearings we had approximately 40 individuals, representing their own views, as well as the views of various farm and commodity organizations, expressing their ideas about the 1985 farm bill. The transcript of those hearings will be forwarded to the committee when they are finished.

I would like to add my support to your bill, Mr. Stenholm, H.R. 4565, which would provide a more stable and predictable way of determining acreage bases and program yields. During the recent hearings many producers expressed support for the guidelines established in H.R. 4565. I can also report that the farm and commodity organizations in Texas support the legislation.

There are several reasons why base and yield establishment is a major issue. One, many feel that current Government policies are not effective in controlling crop production, and that the methods of calculating and implementing acreage and yield bases have been at least partially responsible.

Two, base acres sometimes exceed actual cropland acres. H.R. 4565 requires that the sum of individual crop acreage bases not exceed the overall farm acreage base.

Three, base yields may exceed or sometimes fall below average actual yields.

Four, changes often are made in the procedures for calculating the acreage and/or yield base.

While the Secretary of Agriculture determines many of the details currently, many feel that Congress should specifically designate these procedures in the 1985 farm bill.

Farmers realize that longer range planning is essential for sound management decisions. It is about time that Congress and the administration realized the same thing. If there is anything which

our producers and agribusiness industry deserve, it is a semblance of predictability and stability in farm programs. Heaven knows that farmers face enough uncertainty from the weather, which was evidenced in last year's drought.

As Members of Congress, we were urged to give Secretary Block as much flexibility as possible in the 1981 farm bill. I am not sure that this same strategy will provide a solution to our farm problems in the future. It is quite likely that Congress will have to assume more of the responsibility in establishing the details of the 1985 farm bill to prevent the inadequate supply management planning which has occurred by the USDA in the past.

Last year, in an attempt to provide additional planning time for farmers, Congress passed legislation which required earlier announcement of farm programs by the Secretary of Agriculture. Judging from the fiasco which has developed with last-minute changes in the 1984 wheat program, it looks as though we will have to make refinements in that also.

Many of my producers have indicated to me that they cannot afford to participate in the farm programs because the acreage bases which they are assigned do not accurately represent their current operations. Also, many of my producers in west Texas are in a state of transition from irrigated to dry land farming, and must have the opportunity to change their acreage base to reflect this.

As many of you know, there are also several areas in the country which have experimented with various crops in the past. Some of these plantings were made in years during which acreage bases were being established, and some producers are now faced with acreage bases for crops which they normally would not produce and have no plans to produce, or inadequate bases for crops which they normally do produce.

I feel that the initial establishment of crop acreage bases in 1986, provided that they do not exceed the total farm acreage base, will allow producers to establish acreage bases which accurately reflect their cropping patterns. The 25-percent adjustment provision in H.R. 4565, with 60 days prior notice to the ASCS county committee, provides a mechanism by which our producers can adjust their crop bases from year to year for whatever reason. However, the current restrictions in section 104(b)(2) prevent a producer from producing a crop for which he does not already have any crop acreage base. This may be overly restrictive and may require changes.

Producers have told me countless times that they can adapt to many things if they are simply given a reasonable period of time in which to react. We must provide producers with a mechanism which they can rely on and which will establish their acreage bases and yields in such a way that will allow adequate planning time for production decisions. H.R. 4565 is a significant step in the right direction.

I appreciate the opportunity to address the committee on this important issue, and look forward to more discussion as work on the 1985 farm bill continues. I thank you very much, Mr. Chairman.

Mr. STENHOLM. Thank you, Mr. Hightower. We appreciate your leadership on agricultural matters and your cooperation with mem-

bers of this committee as we work on mutual problems concerning agriculture.

Before we continue, I have the prepared statement of Mr. Roberts for the record.

[The prepared statement of Mr. Roberts follows:]

STATEMENT OF THE HONORABLE PAT ROBERTS

May 2, 1984

I commend my friend and colleague from Texas for introducing this legislation. I am an original cosponsor of the bill and believe that the concept behind this legislation is sound. The farmer is very frustrated over the fact he never knows what his farm program acreage base will be from one year to the next. By putting the acreage bases into permanent law we will be giving the producer a better planning horizon and make the decision to participate in government programs easier.

H.R. 4565 takes the normal crop acreage concept from the 1977 Farm Bill and adds to that some new changes to allow the producer flexibility that did not exist under the NCA's of the 1977 act. The current system, initiated by the 81 act allows for crop specific bases, with those bases being established on an average of the two preceding years. Unfortunately, this allows a producer who wants to expand his base to stay out of the program for two years and in the 3rd year his base could be doubled. In addition, the current system in use now allows the double cropping producers to actually have more USDA base acres than he has acres on his farm. This issue will have more to be addressed in the farm bill next year.

The most important aspect of H.R. 4565 is that it allows producers flexibility to change bases to meet changing market conditions for the various crops but does not allow expansion of the over all base too rapidly.

While this bill is a good first step in the long road to writing next years Omnibus farm bill, there are several concerns that I think need to be addressed including the mechanics of how the bill will work in various sections of the county. For example, in my district and the major wheat producing areas of the nation the bill does not address the issue of summer-fallow crop land. I need not remind the Committee that an equitable treatment of the summer-fallow farmers crop land base has eluded Congress and the USDA for over 40 years. However, I am hopeful that we can work out a solution to the problem and address the fact that a 50/50 summer-fallow producer will often have wheat acres under cultivation that are double his USDA acreage base. We simply cannot understand, in the name of equity, how double cropping producers can have more USDA base acres than they have farm land on their farm, while the summer-fallow producers cannot get the USDA to recognize his total tillable acres. What this has led summer-fallow producers to consider, and with considerable success, is the use of minimum tillage to farm his entire tillable acres every year. In short, by not getting USDA recognition of his true acreage base the summer-fallow producer is abandoning traditional summer-fallow conservation practices, going to continuous cropping practices with good yields.

Several years ago, I introduced to this Committee the concept of a conserving acre credit factor. This legislation simply rewarded the summer-fallow producer for following sound conservation practices by adjusting his USDA

base to reflect more accurately the number of acres under cultivation. This Committee may want to take another look at this as a means of providing and equitable treatment to the summer-fallow producer. Congressman Stenholm has given me his assurance that he will work with all parties concerned to get language in H.R. 4565 to address the summer-fallow question, the issue of double-cropping, and the problem of base inflation.

Mr. STENHOLM. Mr. Huckaby, would you have any question of Mr. Hightower?

Mr. HUCKABY. No, thank you, Mr. Chairman.

Mr. STENHOLM. Thank you.

I believe we will do as we did this morning. We will try to divide this afternoon's witnesses into panels. I would suggest we take Mr. Barr, Mr. Fondren, Mr. Elkin, and Mr. Senter in the first panel.

If all are present, if you all would take your positions at the table, we will ask you if you can to summarize your written statements. With unanimous consent, we will insert into the record all of your statements and any extraneous material that you may offer today. I ask you to summarize as best you can and then stand for questioning from the committee.

The first witness, then, will be Mr. John S. Barr III of Oak Ridge, LA, president of the National Cotton Council. Welcome, Duke.

STATEMENT OF JOHN S. BARR III, PRESIDENT, NATIONAL COTTON COUNCIL

Mr. BARR. Thank you. Good afternoon. As you said, I am John S. Barr III, a cotton producer from Oak Ridge, LA, and president of the National Cotton Council on whose behalf I appear. The council is the central organization of the cotton industry, representing producers, handlers, and processors from the Carolinas to California.

Mr. Chairman, I appreciate the opportunity of appearing here today and I commend you on holding these hearings—as well as Representative Stenholm, who I see is one and the same this afternoon—for introducing the bill to generate discussion on this subject.

If Congress is going to continue some sort of supply management policy for American agriculture, then without a doubt something has to be done to rationalize the base acreage with demand for the crops in question. Under the current system, we have seen upland cotton's base acreage go from 15.3 million acres in 1982 to 15.4 million in 1983 and 15.5 million in 1984.

These increases occurred for several reasons. Under current law, participants in the USDA acreage reduction programs have their bases protected. Acreage required to be devoted to conservation use is considered as planted for purposes of calculating a farm's base, and that's the way it should be.

However, what has caused the growth in the cotton base has been increased cotton plantings by nonprogram participants. The 1981 act provides that a farm's individual cotton base may be the average of the previous 2 years' planted acreage, so when a farmer increases his plantings, the base from his farm increases, as does the overall base. Under current law, then, we protect the participant's base and allow the nonparticipant's base to rise as his plantings increase. There is really no practical way the base can be reduced under current law as long as an acreage reduction program is in effect.

On first blush, then, Mr. Chairman, it might appear that the bad guy in this scene is the farmer who does not participate in the acreage reduction program. He is increasing his acreage and thus intensifying the supply problem that necessitated the acreage re-

duction plan in the first place, and by increasing his plantings, he is increasing his individual base as well as the overall base of the whole commodity.

The inclination is to say that such a program makes no sense at all, but let's go a bit further and examine why the farmer didn't participate in the program in the first place. Why did he choose to forego the price support loans and protection of target price payments? Simply because the policy which limits target price payments to \$50,000 per person forces that farmer out of the program. He cannot be expected to forego both the production from his land and the benefits from the farm program. So what happens? More often than not, he increases his plantings in order to protect his cash flow.

Because it has this effect, some might be inclined to question the method of base calculation, but in 1981 Congress believed this feature was needed to take care of the new farmers who had no established bases. It was an equitable way to allow them to establish a base, and it made sense.

Therefore, Mr. Chairman, we are at this point today because so many in Congress and in the urban press don't understand farm programs. Since the thirties we have been talking about some form of supply management concept. Congress carefully constructed supply management programs, and then turned around and made those very programs unworkable by limiting them to smaller farmers.

By now, it should be obvious to anyone who has looked at recent census data that a significant percentage of today's agricultural production is on the larger farms. We neither praise nor condemn that, but simply state it as a fact. In cotton, we believe about 80 percent of our production is grown by about 25 percent of our growers.

In reality, then, we don't have a supply management program for American agriculture. It has a program we call supply management, but that program doesn't effectively manage supply because it makes participation economically infeasible for those who grow most of the supply.

When you think about it, the current supply management program is ludicrous and absurd. How can you have a program to manage supply by limiting acres, if at the same time you limit benefits so that the people who have the acres can't participate?

Mr. Chairman, we can understand the committee's desire to get as much as possible out of the way this year before writing the farm bill, but I raise a word of caution on moving on this bill right now. The presumption inherent in H.R. 4565 is that future farm policy is going to be based on some form of supply management. That presumption may be correct, and probably is. If for no other reason, we have 50 years of precedent already established, but I'm not prepared to say with certainty to this committee today that the cotton industry is going to want to continue a program that talks about supply management but is basically rendered ineffective by payment limitations.

Moving now to the specifics of H.R. 4565, its concept of a farm acreage base is an improvement over the normal crop acreage or NCA approach which we have opposed.

The NCA base as administered under the 1977 act, for example, was the acreage planted in that 1 year, which was 1977. H.R. 4565 provides for use of a 5-year moving average, thus allowing some adjustments as conditions change. The crops that make up the farm acreage base are specified as wheat, feed grains, cotton, and rice, plus conserving use acres. By contrast, the 1977 act's NCA provision allowed the Secretary to include any crops he chose and excluded conserving acres. A much broader list of crops was actually used. This greatly restricted farmers' options, and was one of the reasons cotton growers were unhappy with the NCA concept.

Likewise, we opposed cross compliance as it was administered in the decade of the 1970's. H.R. 4565 allows a 25 percent flexibility among farm crop bases, and this does soften the impact of cross compliance and makes it somewhat more acceptable.

The yield provisions of the bill would be an improvement over the present system of calculating farm payment yields, in that it allows no more than a 10-percent reduction from 1 year to the next. We would suggest a slight change of wording in the last clause of section 106(b), substituting the word "harvested" for "planted." This would prevent a zero yield being assigned to a crop that was lost completely, either by hail, drought, or flood.

Later in the year, Mr. Chairman, we will begin intensive efforts to develop specific policy for the 1985 farm legislation. It is entirely possible that our position regarding acreage bases may change as we move through the policy development process later this year and early next year.

I want to thank you and the members of the committee for the opportunity of being here today. If you have questions, I would be glad to respond.

Mr. STENHOLM. We will hear from the other three witnesses at the table, and then we will question you as a panel.

Next we will hear from Mr. Tommy D. Fondren, chairman of the board, Plains Cotton Growers and, more importantly, a constituent.

STATEMENT OF TOMMY D. FONDREN, CHAIRMAN OF THE BOARD, PLAINS COTTON GROWERS, INC., AND BOARD CHAIRMAN, TEXAS ASSOCIATION OF COTTON PRODUCER ORGANIZATIONS, ACCOMPANIED BY GERALD CASWELL, PRESIDENT, AND DONALD JOHNSON, EXECUTIVE VICE PRESIDENT, PLAINS COTTON GROWERS, INC.

Mr. FONDREN. The importance goes both ways, Mr. Congressman. I am glad to be here today. Mr. Chairman, I am Tommy Fondren, Lorenzo, TX., as you indicated. I also have with me today Gerald Caswell, the president and Donald Johnson, the executive vice president of Plains Cotton Growers, Inc.

I am appearing here today in a dual capacity—as chairman of the board of Plains Cotton Growers, Inc., Lubbock, TX., and also as board chairman of the Texas Association of Producer Organizations, referred to as TACPO. My statement for PCG represents the views of about 4.8 million acres of cotton base in the high plains of Texas. TACPO is an organization of all the eight producing organizations in the State of Texas, and we represent some 8.1 million acres of base in the State of Texas.

Speaking for both TACPO and PCG, I want to first commend you, Mr. Stenholm and the efforts of this committee, the hard work and the long hours that you all have put in in an effort to make us a system that is perhaps a little more compatible for our needs. Neither TACPO nor Plains Cotton Growers, as boards, have had an opportunity to develop specific recommendations concerning H.R. 4565, but I feel safe in saying that all eight organizations are in general agreement with the intent and purpose of this bill. We expect to continue studying and working with Mr. Stenholm and others in an effort to make this a better possible bill.

At PCG we do have six concerns presently that we would like to point out to you. I would like to indicate that these six concerns are PCG concerns and not TACPO concerns. The reasoning behind this is the fact that TOCPO hasn't had an opportunity to fully discuss this and come to a board position. The proposals that I am about to go over also will refer to cotton only. We feel that the other commodity organizations will have an opportunity to present their views. We would like to present the cotton views only.

I also would like to stress that we have all intentions of working with the National Cotton Council, Mr. Barr and others, in the best possible way to come up with the best situation for cotton producers across the Nation. We do want to show our interest and concern for Texas and the Plains Cotton Growers region.

One thing that we have some problem with, we don't see any method of voluntary reductions and being able to retain bases. We feel like that people that would go into a program or would voluntarily reduce acres for soil conservation purposes, livestock purposes, et cetera. We feel like there should be some manner of conserving these bases, establishing a method of keeping them intact.

The procedure for establishing program crop yields in the first year, 1986, we think leaves room for a great deal of improvement, not only on the high plains but in other areas of the Cotton Belt as well. Severe weather over the past 5 years has caused average yields and 1984 program yields to fall far below the land's true productive capacity. ASCS yield-setting procedures have made the situation worse by changing from a 90 percent floor in the 1980's to no floor in 1981, back to 90 percent in 1982, and only 80 percent in 1983, with 1985 yet unannounced. These two things—an unusual series of bad crop years and vacillating ASCS procedures—have reduced our yields so low that we will have trouble supporting a program to begin in 1986 which doesn't provide for yield adjustment. Perhaps this could be done through ASCS county assessment on each farm's capacity to produce under normal conditions.

Also related to the bill's 10-percent maximum and minimum increases and decreases, we would like to point out that under the circumstances perhaps a 10-percent floor with probably a 30-percent ceiling would be much more workable under the circumstances. It also appears to us, Mr. Chairman, that it would be difficult to generate broad support for H.R. 4565 unless some provisions are made for double-cropping.

While we like having the option of alternate crop acreage bases by as much as 25 percent flexibility, we do have some problems in the fact that when we make a decision prior to September 1 for

cotton, we feel like that is going to be a great deal ahead of time for a producer to make a good, solid position decision.

Mr. Chairman, we also have some concern about the discretion of the Secretary of Agriculture and his powers. We would like to see some consideration given to restricting that authority, perhaps leaving the extent of the Secretary's authority to be decided by the Congress in the passage of the general farm legislation.

We appreciate the opportunity to be here today and express our views and our interests, and we would be happy to answer any questions that we might have raised. Thank you, sir.

[The prepared statement of Mr. Fondren appears at the conclusion of the hearing.]

Mr. STENHOLM. Next we will hear from Mr. Irvin Elkin, president, Associated Milk Producers.

STATEMENT OF IRVIN J. ELKIN, PRESIDENT, ASSOCIATED MILK PRODUCERS, INC.

Mr. ELKIN. Thank you, Chairman Stenholm and members of the committee. I am a dairy farmer from Amery, WI., and I am also the president of Associated Milk Producers, Inc.

Today I would like to emphasize my concern for agriculture in the aggregate. Dairy farmers recognize that their economic well-being is linked directly and substantially to the conditions of producers of other commodities. Stability in the dairy sector is impossible unless agriculture as a whole is healthy.

I want to stress that in constructing the 1985 farm bill, a key strategy must be to develop the most unified position possible among the various sectors of agriculture. The experience of the 1981 farm bill provides an all-too-vivid reminder of the consequences of a splintered farm bloc.

That is why hearings like these are so important, enabling the various segments of agriculture to join together to learn from one another and better understand each other's concerns and perspectives. This is a critical step forward in identifying consensus positions.

Needless to say, there are many danger signals in the current economic situation, and corrective measures must be taken soon if this Nation's food and fiber system is to remain strong. Discussion of the 1985 farm bill provides an excellent place to focus this dialog.

AMPI feels that constructive Government involvement is a necessity in modern agriculture. When it comes to this subject the question is not, "Should Government be involved," but, more properly, "When and how?" Farmer and consumer interest make responsible Government involvement in agriculture a reality, not a choice, in our complex economy and world markets.

U.S. agriculture's basic problem can be simply defined: Farmers are overproducing foreign and domestic market demand. We have too much of virtually all commodities.

Therefore, AMPI members believe effective supply management is essential to recovery of the farm economy. While we do not feel it is proper for us to prescribe specific stabilization measures for other commodities, we are vitally concerned that future public

policy equitably tailor total agricultural output to more evenly match market demand, both foreign and domestic.

The administration's implementation of the Payment-In-Kind Program was a tacit admission that its previously advocated free market position could not satisfactorily correct crop surpluses. Farmers and agribusinessmen were already on the ropes, and the alternative to PIK was to watch commodity prices go still lower to eliminate producers and clear the market of surplus—a painful and foolish path.

Farmers responded enthusiastically to the PIK program, proving that the supply management with an incentive to reduce production approach does work. To be effective, supply management programs must be taken seriously. Total agricultural output must be addressed. Such programs should integrate provisions that avoid driving producers of a particular commodity into the production of another. This should involve better coordination between all commodities in the administration of supply management measures.

Safeguards against expansion are an integral part of the new Milk Diversion Program. Participants in the diversion program are restricted to selling their dairy cattle for slaughter, export, or to another dairy farmer already in the program. Additionally, contracting producers cannot make idle milk production facilities available to other milk producers.

The new Milk Diversion Program is providing tangible evidence that supply management can constructively address surpluses. Positive results are already visible in the first few months. February milk production was 2 percent down and March milk production some 3 percent below earlier levels. This represented the first declines in over 57 months of consecutive increases. More importantly, CCC purchases for January, February, and March of 1984 were down 4, 25, and 42 percent respectively from the same months a year earlier. Reductions in milk production and CCC purchases should become even more dramatic as the year proceeds, since diversion participants only had to comply with 50 percent of their total contracted amount in the first quarter of the program.

I think it needs to be emphasized here—certainly to the news media, urban audiences, Congress, and the administration—that dairy farmers themselves are financing some 95 percent of the total cost of the diversion payments.

AMPI believes that once stability returns to the rest of agriculture, the dairy provisions of the 1949 Agricultural Adjustment Act that has served farmers and consumers so effectively can be operated without much change, but until then supply management measures are necessary.

In March we held our annual meeting. Delegates passed a resolution emphasizing the continuing need for supply management and providing dairy farm families with strong, individual incentives to reduce milk production when Government purchases exceed a specified reasonable level. A key element, we believe, would be a permanent standby legislation activating a supply management mechanism in periods of surplus production.

A similar concept of a supply management trigger is featured in the feed grains, rice, and cotton provisions of the recently enacted Agricultural Programs Adjustment Act of 1984, which activates

supply management measures at specified levels of carryover stocks.

In closing, let me say that a key objective for dairy and all farmers must be more permanent policy to replace the piecemeal, emergency quick fixes that have characterized recent years. We cannot afford to keep addressing agriculture on a crisis-to-crisis basis. A more stable and long-term approach is needed that will allow farmers to plan for the future with more certainty of Government action.

We look forward to the development of sound provisions for the 1985 farm bill that will benefit taxpayers, consumers, and farmers alike. By working together in an environment of mutual respect and concern, we can be successful.

Thank you.

[The prepared statement of Mr. Elkin appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you, Mr. Elkin.

Next we will hear from Mr. David Senter, national director of the American Agriculture Movement.

**STATEMENT OF DAVID SENTER, NATIONAL DIRECTOR,
AMERICAN AGRICULTURE MOVEMENT**

Mr. SENTER. Thank you, Mr. Chairman. We appreciate the opportunity to appear before this committee. I am David Senter, national director for the American Agriculture Movement.

Mr. Stenholm, we want to commend you for your efforts in putting together this legislation to help move toward some permanent legislation to solve part of our problems in agriculture. We fully support the effort to pass as much as we possibly can into permanent law because, as we travel across the country, the inconsistency and huge swings in Government policies are the main drawback to producers going into the program.

We suggest that all USDA agencies use ASCS yields that are figured. At the present time we find Farmers Home Administration, Federal Crop Insurance, and ASCS all separately figuring yield histories on farms, and causing many producers problems trying to participate in different programs. What we are talking about is consistency in the agriculture programs.

We very much support the concept that allows producers to make predetermined shifts between commodities, because producers need the ability to adjust their operations to meet changing circumstances. We of the AAM feel that all major commodities should be supported equally to prevent farmers from switching from one crop to another. Over the years there have been industry-accepted ratios established between certain crops, at which switching from crop to crop due to prices will not occur. It should also be noted that we feel that if the ratio is established between commodities, well, then, this would help stabilize both domestic and world production of these various commodities. I did include some numbers on the ratios in the testimony; I won't go over it, but I would appreciate the committee taking a look at it.

Mr. Chairman, too often the decisions are political instead of realistic. The American Agriculture Movement supports mandatory

production programs based on bushels and pounds. We must bring all producers into the program, whether they be foreign investors, insurance companies, or people just farming the tax loopholes. They must all be forced to do their fair share of supply management.

I might note right here that if everybody was brought into a mandatory program, that it would take a considerably smaller cut for each producer to reach the same goals, so each producer would actually be producing more than a lot of us do trying to participate in the current programs.

We support a national referendum to determine what producers want and need in the 1985 farm bill. Our organization is ready to accept the outcome of such a vote. We have to stop playing politics, both in farm organizations and in Congress, and get on with a new approach to agriculture, something that will be long range in scope and something that will be realistic instead of idealistic.

You know, we have a current farm program in place that is a farm program that reacts to crisis situations, and we feel very strongly that we have to move in the direction of putting in place programs that will act before we have to react to a crisis.

The American Agriculture Movement believes that beginning stock inventories should automatically adjust the level of diversion for each commodity. We feel like that USDA should stop all crop forecasts except putting out stock inventory figures, and that those figures be used to put in place diversion for each commodity the following year.

We also feel like we have to look at a two-price system. Mr. Franklin made note this morning about the world price, if it was lower than our loan rate, should the loan rate be lowered? Producers in the United States cannot be asked to lower our standard of living to match the lowest standard of living of any of our competitors around the world. We cannot compete with 50-cent-a-day labor in some of our competitors.

This is why we feel like that we have to have a realistic approach, with adequate price support protection to protect farmers when Government uses agriculture for foreign policy but, at the same time, with a two-price system so through an export PIK or through export subsidy, we can maintain our market share in the world markets and can get on with the business of producing instead of struggling just trying to survive.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Senter appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you, Mr. Senter.

Now, I would ask that we operate under the 5-minute rule this afternoon and adhere to that in our questioning, and we will come back to each member who needs additional time.

First, Mr. Barr, you mentioned the problems of cotton base acreage—15.5 million acres in 1984, actually increasing, whereas January prospective plantings were under 11 million acres. Is the problem, (A), that we have more base acres than we can reasonably expect cotton farmers to plant, or, (B) that cotton farmers want to plant more acres than demand warrants?

Mr. BARR. If you could believe it, Mr. Stenholm, the answer to that question is probably both. We've got too much base in terms of overall, because we've got some farmers that very obviously have more base than they care to plant, as per se, I believe it was the 1983 program in which we had a 15-percent set-aside, but yet acreage was reduced 25 percent. Then, again, we find 70 percent participation in this program.

There obviously are some farmers who have their bases, who want to keep them for whatever the case may be, either in terms of future programs, either because they have become crop selective and have other alternative crops that they seem to like better, or there is also the case of farmers who are participating in the program only to the extent of the \$50,000 because of ASCS contract numbers, and then they are going outside of the program on those other contract numbers to manage to increase bases. But as long as the base is protected by all participants and increased by all non-participants, the direction is going to always be the same.

Mr. STENHOLM. You also mentioned the limitation of payments issue, and I would direct this question to Mr. Senter: Given the problem of payment limitations, do you believe that mandatory control programs can work as long as we have to, as a Congress and this committee, contend with limitations on payments? If so, how?

Mr. SENTER. I think we have to ask serious questions as to, if we had a mandatory program, would we have to contend with payment limitations? We feel like that if we are serious about a supply management program, we have to have all levels and sizes of producers into the program to adequately control production so that supply and demand matches. If that is the case, then the payment limitation should not be under consideration because we have to be in a position for all producers to come into the program, comply, and participate, in order for it to work effectively, so we do not support the payment limitation provision.

We do feel like, though, that corporations and such entities—insurance companies and such—should be excluded from getting any of the Government program payments.

Mr. STENHOLM. Yes; I understand you oppose it. Most farm groups do oppose it, but I guess my question is, if we have to contend with it, then do you believe that a mandatory control program can function with a limitation?

Mr. SENTER. Yes; if the limitation was more reasonable than it is now; \$50,000 is way too low for agriculture and the size production units that we have. It is way outdated, and we would have to be considerably higher. If you reached that more adequate payment limitation, well, then it would give the program a lot better chance of succeeding and getting support from all the different sectors.

Mr. STENHOLM. Mr. Fondren, you asked about the voluntary reduction of your acres in some years and then losing base. I think if you will look at section 10862, that we have got the capability in that to fine-tune what we've got to fully meet your reservations. It's not our intent to force anyone to plant their individual crop acreage base in order to protect his history. That's why the emphasis is on the farm acreage base, and flexibility. I misspoke myself this morning in answer to Mr. Franklin's question—we propose a

change of up to 25 percent of the farm acreage base in any one year, rather than 25 percent of any individual crop acreage base. I fully agree with your concern and believe that we can fine tune that language a little more to avoid that problem.

Mr. Elkin, on page 4 you describe the history period used in current milk diversion programs. For all practical purposes, this is analogous to a production base. I see it as one and the same. Do you think the formula used for this history period for dairy was a good one? How could it have been improved?

Mr. ELKIN. I would have to think, having worked very closely with it, that it was probably about as fair a period at that time as we could take. Many people felt that it should have been more of a current—if that is what you're referring to—more of a current year, but as far as the base period I haven't really heard any particular problems with it, no.

Mr. STENHOLM. Thank you.

Mr. Huckaby.

Mr. HUCKABY. Thank you.

Mr. Barr, we certainly appreciate your traveling such a long way on such short notice to be with us today; Mr. Fondren, you also, I know. Mr. Elkin, you have come a long way to testify for a very brief, short period of time, and the members of the committee certainly appreciate all of your efforts.

Mr. Barr, you mentioned the problem of cross compliance. In the mid-South, we raise a lot of cotton, a lot of rice, some corn in certain areas with cotton and rice, et cetera. Today, as far as cotton is concerned that about roughly 30 percent of the cotton that is produced in the United States is grown outside the program because of the \$50,000 payment limitation.

Do you have any estimates, with mandatory cross compliance, of how much additional cotton would be grown because the \$50,000 payment limitation would be triggered in, whereas otherwise it wouldn't be, for a farmer that is growing cotton and rice both. Whereas now he could participate in one program and not participate in the other with the \$50,000 limitation, the combination would certainly force him out of the programs as such, and we might have more cotton grown instead of less.

Mr. Barr. No, Congressman, I don't have those numbers available to me. I think that probably you would find it, just in terms of application, variable from year to year, from crop to crop, depending upon what the economic situation of that particular crop was, although I may not completely understand your question. Are you suggesting \$50,000 per crop as opposed to \$50,000 per farm?

Mr. HUCKABY. Well, we're not going to get that. That's a good idea, but—[Laughter.]

Mr. BARR. No; I don't have any figures about exactly how much additional cotton would be planted if there were no \$50,000.

Mr. HUCKABY. Let me ask this of any of you gentlemen that might care to respond. Now I agree with the thrust of this bill, as far as making it more difficult to build base. We have seen in a number of crops in the 1981 farm bill, that our base is creeping up, and certainly in all of the major crops we have the ability to produce significantly more than what we could consume at home and what we can sell today. Having a 4- or 5-year period or time

frame to build base would certainly make it more difficult to expand base but, on the other side of that equation, it also makes it tougher to lose base for the farmer that's going from one crop to the other or that's shrinking his operation. Would you have any comments about maybe a 4- or 5-year period here if you're building base, but maybe a 2-year period as we have now for people that are losing base, depending upon their history of production, of what they're doing. The goal would be to try to reach out to say, 4 years from now, to have a little less total acreage base in all of our commodities than what we have today. Otherwise probably the off-tick and the add-tick would probably offset each other here and I'm afraid we would be right where we are.

Mr. BARR. I will sure take a shot at it because, you know, we have been through discussions up and down on this one 100 different times, and it's real easy to decide where you would get the base from when it's going up, but when you start reducing it everybody wants to protect what he has. This is one reason why we have had a great deal of problems in putting together our testimony in terms of this particular bill, Congressman Stenholm, just because we've been up and down discussion on this 100 different times.

What it boils down to is that we—and I address this specifically to cotton—we have got some areas that are historical cotton areas, if you look back over a long period of time, and they have been out of cotton and into soybeans. Now, all of a sudden, because of one reason or another they want to come back into cotton, and the bases in some cases have left those farms because they haven't bothered to certify or participate in the program or whatever is the case, and they want the option of going back in. The Southeast is one of those in which we have got boll weevil eradication over there, and cotton is a better economic choice for them now. The State of Arkansas is another very good one, in which the whole northern part of the State used to be a big cotton country, and it has gone out—

Mr. HUCKABY. That's a part of my point, too, but if you go out and leave cotton and go into beans, in 2 years you have lost your bases as such, whereas now under this it would take 5 years for you to lose your bases as such, so it's easier to get back in.

My time has almost expired. Mr. Fondren, I certainly appreciate your bringing up the point of double cropping. We in the mid-South and the Southeast do an awful lot of double cropping, and as I understand this bill, it makes no provisions at all for this. I assume you do some in your part of the country, too, and I think this would be a severe penalty to many, many farmers as the bill is currently constructed.

My time has expired, Mr. Chairman.

Mr. STENHOLM. Mr. Roberts?

Mr. ROBERTS. Yes; thank you, Mr. Chairman. I see we have some action on the floor, so I will be brief.

I would like to thank the witnesses for their testimony and for taking their time to come and testify. I would make the observation, Mr. Chairman, after wading through the statements, that your proposal—or, if I may use the editorial “we”—our proposal, has now attracted the support, at least, or at least no opposition from such diverse groups as cotton growers, dairy, wheat growers,

the USDA—who said they didn't oppose it, it was just, you know, "when"—the folks in agribusiness, the Farm Bureau, and AAM. For you to achieve that kind of a party where nobody is going to get up and leave, I think is rather an amazing feat, so it is to your credit that you could bring a bill to this committee where we could have this kind of a consensus.

David, I would like to ask you a question, sir. You said on page 3 that you support a national referendum. Have you gone to the point—and this is in regard to a mandatory program and what the Stenholm bill would do—would you go on to state what kind of eligibility requirements you are looking at in terms of who would vote, and what percentage would you envision the referendum would have to have before it would take place?

Mr. SENTER. We would envision that participants in the agriculture programs would be those that would be eligible to vote, those on the list at the ASCS office that were bona fide producers with an active production of agriculture in those counties. We would think that we would have to be very careful in structuring, setting up a national referendum like this, because specific alternatives would have to be listed. It could not be a referendum that was set up where the outcome was predetermined by what was asked. It would have to be a real, nonbiased type question about, "Do you support supply management?" In other words, they would have to have definite alternatives, and we would feel like a majority of those producers in any commodity would represent enactment of the program.

Mr. ROBERTS. As I recall, we had a vote like that back in 1962 and, as I also recall, I think it took—what?—66 percent in order for the referendum to take place, and it didn't, obviously.

I had another question in regard to Mr. Barr, in regard to the payment limitation, but my good friend and colleague from Louisiana and the staunch defender of cotton in all farm bills has already asked that question, so I yield back the balance of my time.

Mr. STENHOLM. Mr. Penny.

Mr. PENNY. Mr. Chairman, I would like to ask Mr. Elkin if he has any hopes for improved exports of milk commodities in the foreseeable future?

Mr. ELKIN. No.

Mr. PENNY. That's all I wanted to know. [Laughter.]

I understand that we are attempting to market some of the ultra high temperature milk overseas, and that's what prompted me to ask the question. I was curious to know if that is a sign of things to come or if it's too early to tell.

Mr. ELKINS. Well, of course, yes, I'm aware of that. It's another organization. We certainly support their efforts and hope that they are successful in moving any type of dairy products into any other market, because we have a very narrow market. It's a good market here in the United States, but as far as moving realistically in the future, of course, that also would be quasi-subsidized moving of the product. But, like I say, fine, if they can move it out.

Mr. PENNY. Mr. Senter, we don't have a lot of long-term grain agreements in effect right now, but I have often wondered if it might help us significantly in our planning for agriculture to nail down as many of those agreements as possible, tally up the mini-

mum we can sell based on those agreements, and then of course estimate the more stable domestic production levels. After we have tallied that, set our management program accordingly. Tell me if there are some shortcomings with that plan. It seems so simple and easy, something must be wrong with it.

Mr. SENTER. We feel like all of the agreements that we negotiate now are agreements that limit sales to those countries, because they always have a maximum amount. We believe that if we come to agreement with the Soviet Union or whoever buys our products, that they should be sales agreements, and we feel that those countries should turn in, in advance, their order for the next crop year and an estimate of what they will need to purchase, so that we can make adjustments in our production to provide an adequate amount for them with a reserve program as a cushion in case we have a drought like we did in 1983.

Under the current program we have, when we guarantee we will sell 9 million metric tons or what have you, that country lays back and they just buy little bits and pieces as they need it. We store it for them for nothing, and all of a sudden you have a depressing effect on our markets, whereas if it was a sales agreement, whereas they come into the marketplace and buy, then you have upward pressure on our markets. So we feel like that we need to have sales agreements without those upper limits, and to have some kind of a mechanism for them placing orders in advance, just like we order tractors from farm equipment dealers. They turn in an order for what they need next year and so on. So we feel we like we are looking at it totally wrong now.

Mr. PENNY. I appreciate your observations.

Thank you, Mr. Chairman. I don't have any further questions.

Mr. STENHOLM. Mr. Gunderson.

Mr. GUNDERSON. I have just one question, Mr. Chairman. I was going to direct it to Mr. Elkin, but I've since decided that any of you that would like to respond ought to be able to.

You know, when we think about supply management and you think about the different programs and you talk about consistency, Mr. Elkin says in his statement: "This should involve better coordination between all commodities in the administration of supply management measures." It would seem to me that in our wheat and feed grain programs in essence we have mandatory supply management which requires a certain percent of acreage set-aside. In our dairy program we have a voluntary set-aside, which says you are going to be eligible for the Government support whether or not you cut back in production.

Should supply management be a mandatory, across-the-board program, or ought we be looking at voluntary supply management efforts in the various commodities in 1985?

Mr. ELKIN. Did you address that to me?

Mr. GUNDERSON. I addressed it to anybody who wants to tackle it.

Mr. ELKIN. I'll comment. As I said in my statement, we are very concerned and interested in all of agriculture because we can't sink or swim alone. We have found that out. We would like to have brought the rest of agriculture up to the level that we had. Unfortunately, we have now been brought down to the level of the rest of

agriculture, and that just shows that if you have excesses anyplace, it's going to seek its level, and that's what happened.

Yes, we had a voluntary program in dairy. We would like to work toward something with even more permanency, as I see it in here, where we would agree ahead of time how we are going to react when we run into that situation. It would be our goal and it is the goal of our delegates that at that time it would be full participation, in that everyone would participate at whatever level of overproduction we would agree on ahead of time, be it 2, 3, or 4 percent. When that then triggered, we wouldn't have to wonder 2 years or 1 year ahead what was going to happen or what through this process would happen. We would know that it's going to start to cost us in some way—assessments, two-tier prices—we're not getting into that at this time, but things like that that would fall equally on everyone. So, although we have the voluntary at this time and it is working—we think for a first-time effort in dairy it's working extremely well. You know, it was a whole new program. Our dairy farmers were not used to dealing with Government programs like the grain people. So, yes, we have voluntary. I guess I would leave it up to them. They know more about the crop production end, as to whether they would want to work with a voluntary. They have had voluntary, of course, in the past.

Mr. SENTER. We, of course, would support across-the-board supply management for all of the different industries and, I might add here, even in the areas where they have double cropping we feel like that, if a person double crops, that both crops that are produced from that land should be participating in whatever programs are available for both of those crops, so that you don't have somebody producing wheat with set-aside and such, and then follow with a crop and have every acre planted. They should be participating at every level throughout the system, so everybody is doing their fair share.

Mr. FONDREN. There is one thing that we haven't addressed here this afternoon that has some concern with me in cotton, and that is the fact that we are importing some 1.6 million bales of cotton in 1983. Those came in in the way of finished goods. It's going to be hard for cotton to get a good handle on supply management as long as we have this type of situation occurring. We are not isolationists, but then by the same token we have a problem where we are going to import that much cotton into the United States.

Mr. GUNDERSON. Did you want to say something, Mr. Barr?

Mr. BARR. The council participants have long since been on the side of voluntary programs.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Mr. STENHOLM. You spoke to it just briefly a moment ago, but I want to get a reaction from everyone regarding double cropping. Right now it's not in 4565. I expressed this morning, in testimony, my personal opinion that we are going to have to address the double cropping issue in order to have any kind of a fair farm acreage base. We have also, in answer to the question of Mr. Volkmer of Missouri and Mr. Bedell of Iowa, the necessity of counting soybeans in the farm acreage base—not for crop acreage bases, but for purposes of the farm acreage base. It's my intention, unless some-

one comes up with a reason not to, to include both of those concepts in future legislation. I would like to ask your reaction to that.

Mr. FONDREN, we'll start with you.

Mr. FONDREN. I guess I would think that we wouldn't want to look at other, on the farm acreage base, we would want to look on some commodities as vegetables and et cetera.

Mr. STENHOLM. And ELS. That was brought out this morning, and any other crops that want to be included and that would be net productive for the basic concept.

Mr. FONDREN. We have one other area there that would be of concern to us in West Texas, and that is the secondary crop. We have addressed this in the past, and visiting with your staff I feel like that we're comfortable with it, but we do use a secondary crop, of a sometimes program crop, as an alternate behind severe weather. That would be very necessary for us.

Mr. STENHOLM. Mr. Barr.

Mr. BARR. I would have to speak to Tommy's point on that pretty strongly, Congressman, and that is that provisions for disaster in terms of the 25 percent swap on those bases, because of not being—particularly if you included soybeans in our part of the country—because if you don't get a cotton crop in, soybeans or grain sorghum is an alternate down the road, and I don't think our farmers would want to forgo all crop opportunities just to protect bases.

Mr. SENTER. Our organization supports bringing soybeans into the program so that you can get a better handle on your total acreage and production, and so that all the different commodities will work more in balance instead of having one or two hanging out on the outside of the programs.

Of course, I stated my position on the double cropping. We would support that being a part of the legislation.

Mr. STENHOLM. Any comment?

Mr. ELKIN. My only comment would be that, on the specifics of this, we have no position as an organization, so our main purpose is here to work with other groups, support their positions, and listen to their concerns, so I would have no position.

Mr. STENHOLM. So far there seems to be a consensus on the yield part of the base and yield bill, that something close to what we are now doing has been serving us fairly well. We have had concerns about disasters. We heard this yesterday from Minnesota: What happens when you get into a situation in which you have 1, 2, or 3 years in a row of a disaster—what this does do, first off, to your proven yield? But second, the aftereffect is what it does to your ability to participate in future programs because your yield gets so low.

My question for some comment today is about a thought that we have had. We now have, say, an 80 percent floor under the 1984 program, though many of us would like to have seen it stay at 90 percent. Where we have 80 percent, could we provide, possibly, for insuring of yields for program purposes just as we insure yields for income purposes today? In other words, if you participate in the Federal crop insurance program, you also could insure, let's say, 90 percent of your proven yield.

Mr. FONDREN. We haven't discussed that in either of our boards. I would be real hesitant to get into it. It sounds like a good idea.

Mr. STENHOLM. Anyone care to make a comment off the top of your head, or do you want to take it back and sleep on it a while?

Mr. BARR. As Tommy indicated, I don't think there has been a lot of discussion on that one. I think there was some discussion a while ago on using one yield for all Government cropping purposes, and I certainly don't think that we would support that one.

Mr. STENHOLM. Why?

Mr. BARR. Why not? I think there's a lot of confusion involved there, in terms of if you're going to go ahead and proceed with legislation that would deal with yields on a permanent basis or a permanent adjusted basis as you go through, that those yields basically should involve all your Government programs, both crop insurance and FmHA.

Mr. STENHOLM. Even if it's a proven ASCS yield?

Mr. BARR. Well, I think that's what you're talking about, is a proven ASCS yield.

Mr. STENHOLM. Right. That's correct.

Mr. BARR. Of course, I guess I—cotton has that, and many of the other crops do not.

Mr. SENTER. Mr. Stenholm, I might just clarify the reason I included that in testimony. ASCS has the provision, and of course they use the 5-year average, and if there is a disaster they can drop the high and the low out, and if there is more than one declared disaster in a row they can actually drop back and use a 10-year average, which gives you a protection if you get into the situation with more than 1 year in a county.

Farmers Home Administration, in many cases, are using actual production records from the year before to determine eligibility, and so we are in a position where a farmer may have a 40-bushel yield on a particular crop and then Farmers Home is carrying a 15, and so all of a sudden it disqualifies them from being able to get access to the programs. So this is why we felt like that it should be stabilized and that the ASCS yields should be used through all Government programs on those farms.

Mr. STENHOLM. Mr. Huckaby.

Mr. HUCKABY. Thank you, Mr. Chairman.

I would like to address a brief comment to you and possibly to the gentlemen concerned with cotton and soybeans. As I understand your suggestion of including soybeans in this, a for-instance example would be: If a farmer had a 1,000-acre crop acreage base for cotton and, say, 1,000 acres for soybeans, and the price for cotton was 80 cents and the price for soybeans was \$6, then that farmer could elect to switch up to 25 percent of his total farm acreage base, which would be 500 acres, into cotton, so all of a sudden he could plant 1,500 acres of cotton, and then you would have cotton in the same situation the following year as what you had beans in that year, if you had massive shifts? Maybe I shouldn't have ad libbed, but that was the intent of your program, what I outlined. Is that correct? So that you could have a very large increase overnight in the base acreage of any commodity?

Mr. STENHOLM. That's correct, and if individual farmers—in my bill you have to make that decision 60 days ahead of time—and if enough made that decision, then there would be a much larger set-

aside in order to keep the overall production expected in the program at the predetermined level.

Mr. HUCKABY. Would any of you gentlemen care to comment on the ability there to increase the base by up to 50 percent?

Mr. BARR. It's always dangerous, getting out of your territory, but just going back to the way these things worked when they were on the books back in 1967, first of all I would assume that the soybean people have already testified, and historically they don't want any part of farm legislation, so I assume they want to be excluded out of the base. Now that's an assumption on my part because I wasn't here to hear all the testimony.

Mr. STENHOLM. If the gentleman would yield on that point, the soybean people have not testified but I make the same basic assumption, and we have stated in our testimony that we are including it in the farm acreage base only, not for program consideration purposes, for the reason you state.

Mr. BARR. The other side of that one is, that almost is getting both sides of the coin, I guess, but I think the more crops—our experience from 1967 was, the more crops you included in it, the more complicated and worse it got. I think we dealt with it then in terms of, where soybeans were not a part of that base, that we had cotton, rice, feed grains, corn, and wheat were in that base. Then the Secretary got some options which dealt with sesame and half a dozen others but, as I remember it, the more crops you got into it, the more complicated it got.

Mr. SENTER. Mr. Huckaby, a comment: We would feel like that we are seeing big swings and shifts in production on a year-to-year basis under the current program because, if a farmer feels like economically they can make more money switching to a crop, they will go outside of the program and they will plant it and grow it anyway. This would merely be a means whereby we could get a better handle on what was going to be produced and acres going to be planted, because they would have to be predetermined, instead of Monday morning waking up and deciding what you're going to plant and going across. So it would add some stability, we feel like, in being able to determine production year-to-year, and everybody would know that if there was a huge swing to cotton they would have to idle more acres to participate and be in that program, because of the increase in production.

Mr. HUCKABY. But by doing this you would be able to actually increase your plantings and still participate in the program, whereas without this option you have to decrease your plantings to participate in the program.

Mr. SENTER. That's true, but now we're just building new base and increasing plantings when necessary, anyway.

Mr. BARR. I think the question you are raising is, would all of a sudden 25 percent of the soybean acreage be eligible for possible cotton base? Is that the question you're raising?

Mr. SENTER. Yes; as I understand it, that's what he said.

Mr. BARR. That would extremely frighten me.

Mr. FONDREN. That would be more in line with a secondary crop in our country, in our particular area. Yes, we could flood you with lots of soybeans, but it would be because it was too late to plant cotton.

Mr. HUCKABY. But you might switch sorghum with cotton or something.

Mr. FONDREN. Sir?

Mr. HUCKABY. You might switch milo with cotton under similar circumstances.

Mr. FONDREN. Sometimes we have difficulty when we start planting milo back—

[Laughter.]

We can do it, but it takes some expertise and some care, and then if you get a washing rain that won't work, either.

Mr. STENHOLM. We will take a 10-minute recess for a vote and be right back. The same panel just stay hitched on this point.

[Recess taken.]

Mr. STENHOLM. I would like to continue the dialog that was occurring between what would happen if all farmers would suddenly shift 25 percent of their farm acreage base from one crop to another.

My only comment to that is, one of the purposes behind H.R. 4565 was to give farmers flexibility, in attempting to meet as much as we possibly can the market oriented agricultural policies that most of us would like to pursue, giving farmers flexibility. I would respond, Mr. Barr, to your apprehension about what would occur should that happen by saying the alternative, it seems to me, is rigid bases and allotments, which is what we have tried in the past and we don't like that, either.

Mr. BARR. I would submit to your, Mr. Stenholm, that you've been at this game as long as I have and been working on it a whole lot harder. There's no question but that what you have chosen to take upon yourself in this bill is a major undertaking. I would just suggest to you that at least we weren't prepared—that soybeans—the draft that we had, certain soybean bases were not involved as a major crop, and I think the fact that when you start including soybeans within that base, it creates a little problem and we're going to have to do some study on that one.

Mr. STENHOLM. I grant you that point and, as I said again, the reason that we are receptive to the inclusion of soybeans comes as an example that was presented by Mr. Volkmer of Missouri, where you have a 100-acre farm and the individual farms corn every other year and soybeans every other year. How do you devise a base that will allow him to participate in the corn program unless you have some recognition of his normal crop rotation practices? But I agree we need to scratch our heads a little bit more before we come up with any final versions.

I believe that's all the questions that I have. Mr. Franklin, did you have a question you would like to pose to this panel?

Mr. FRANKLIN. Yes, one.

Mr. STENHOLM. We'll give you time.

Mr. FRANKLIN. Mr. Senter, on your testimony earlier concerning your agreement with this type of legislation, do you base this on an assumption that we would have a mandatory participation policy in any farm set-aside program we came up with?

Mr. SENTER. Yes, that is our position.

Mr. FRANKLIN. Do you see it working any other way than mandatory?

Mr. SENTER. If we talked about a voluntary/mandatory program a little earlier, that would be the next step, provided you were in a position where you had to participate or you were denied the use of any programs, zero yield and base history, those kind of steps. Then if we had to back away from mandatory we would take that position, but make it tough enough where we would get very high participation.

Mr. FRANKLIN. Thank you. That's all I had, Mr. Chairman.

Mr. STENHOLM. I guess one parting comment I would make is, each of us in our organizations and all concerned with the 1985 farm bill, go back and look not only at H.R. 4565, but I make the same charge to all of our organizations and everyone interested, to not presuppose that this committee is not going to move forward on this bill and give it our best shot, because to me it's really immaterial what the 1985 farm bill is at this time. If we're going to have supply management, most everyone has testified that we need a more equitable base and yield program, particularly the base part, so that is the purpose behind addressing this legislation now. Certainly if you have a mandatory program, you've got to have fair and equitable distribution of bases and yields. If you don't, even if we continue fine-tuning of the present bill, most people have testified that this would be an improvement, and that's the philosophy under which we are moving ahead.

I, too, thank the panel for taking time to come and testify today, and look forward to your continued input to me and my office and this committee as we move forward. Thank you.

Mr. BARR. Thank you, sir.

Mr. STENHOLM. Next we will have our last panel: Mr. Michael Durando, Mr. Vincent Morabito, Mr. Gary Condra, and Dr. Ed Smith, and Dr. James Richardson.

Mrs. SMITH of Nebraska. Mr. Chairman?

Mr. STENHOLM. Mrs. Smith.

Mrs. SMITH of Nebraska. I came over to meet with you because I wanted the pleasure and honor of introducing Mr. Vincent Morabito, and also Jim McNally who is with him, from my district. Vincent is the president of the Nebraska Popcorn Growers Association, and has really become an expert on the subject of establishing acreage bases for farm program purposes. Mr. Morabito is going to present the association's position on how the present system not only discriminates against popcorn growers but undermines the effectiveness of current acreage reduction programs.

Thank you, Mr. Chairman.

Mr. STENHOLM. Virginia, it's always good to have you, a valued member of the Appropriations Committee, and Agriculture Appropriations Subcommittee, and I know I speak for all members of this committee. We appreciate your leadership and work with this committee on matters pertaining to agriculture. We're glad to have you, hope you will stay as long as your schedule will let you today.

Mrs. SMITH of Nebraska. Thank you. I shall do that.

Mr. ROBERTS. Would the chairman yield at that point?

Mr. STENHOLM. I would be happy to yield.

Mr. ROBERTS. I would like to simply echo those sentiments and associate myself with the remarks of the chairman. The farmer/stockman, be he or she a popcorn grower, a wheat producer, a corn

producer, or whatever, has no finer friend in the Congress than the gentlelady from Nebraska. It is a pleasure to have her here, and I applaud her continuing efforts on behalf of my producers and all producers all throughout the country.

Mr. STENHOLM. We will recognize Mr. Morabito at this time.

**STATEMENT OF VINCENT F. MORABITO, PRESIDENT, NEBRASKA
POPCORN GROWERS ASSOCIATION, ACCOMPANIED BY JIM
McNALLY, ATTORNEY, AND BOB WILBUR, POPCORN INSTITUTE**

Mr. MORABITO. Mr. Chairman, thank you very much, and thank you, Mrs. Smith, for such a beautiful introduction. I appreciate that very much.

Mr. Chairman, I am Vincent Morabito, a corn farmer from Valentine, NE., and I am here today in my capacity as president of the Nebraska Popcorn Growers Association. The Nebraska Popcorn Growers Association membership is made up predominantly of corn growers in the States of Nebraska, South Dakota, and Colorado. We have approximately 200 members scattered throughout the three-State region. The major goal of our organization is to represent our member producers, providing programs that enhance the production and promotion of this crop. I am grateful for this opportunity to present the NPGA's views on H.R. 4565. My testimony will deal with the inequities of the present system for the establishment of the farm feed grain base acreage.

Mr. Chairman, I am here today because popcorn—a look-alike for dent corn—has been excluded from farm programs for the past 4 years. This exclusion of popcorn has prejudiced popcorn growers and has caused economic hardship to many of our members.

We believe the continuation of the policy of the exclusion of popcorn from the base acreage computation is not in the best interest of Government acreage reduction programs. The exclusion of popcorn from the base acreage computation leaves a documented loophole through which nontraditional popcorn growers may produce a corn crop to substitute for dent corn, and use that crop for silage and feed grain purposes.

Please notice exhibit A from a major farm publication, entitled "Popcorn Silage: Grow Corn and Still Join PIK." I call your attention to that, Mr. Chairman. Farmers in 1983 planted thousands of acres of popcorn for the purpose of substituting this crop on non-feed grains acreage for feed grain purposes. Mr. Chairman, all that can be said is that the dent corn farmer is able to have his cake and eat it too, at the expense of the Government acreage reduction programs and the taxpayers' dollars.

From the NPGA's point of view, the exclusion of popcorn from the feed grains base in past and current farm programs has and, unless changed, will continue to prejudice popcorn growers. This problem is based on the fact that popcorn is one of the few viable economic and—I stress this, Mr. Chairman—agronomic crop alternatives to dent corn in our region.

During the critical base year of 1981, a three State region represented by our association produced under contract up to 100,000 acres of popcorn. Since that period of time, contract availability to growers is now only approximately 50 percent of previously con-

tracted levels. This lack of contract availability, plus the lack of feed grain base acreage, creates two negative scenarios. One, growers do not participate in feed grain programs, committing their total acreage to field corn production; or, two, participate in the programs with the limited corn base they have and grow popcorn on their remaining nonbase acres, whether economically viable or not. This forces production of popcorn, disrupts the normal supply and demand factor in the industry, and creates economic hardship for both the popcorn producer and the processors.

We would emphasize at this time, Mr. Chairman, the inconsistencies regarding the exclusion of popcorn from the current farm feed grain base acreage computations, when in current farm programs the Secretary of Agriculture has specifically included as feed grains base seed corn, white corn, waxy corn, flint corn, and male sterile high sugar corn. In the case of the latter, Mr. Chairman, it does not even produce an ear. The inclusion of such nonfeed grains in the current programs serve to graphically illustrate the inconsistency of the current regulations.

The failure of the Secretary to respond to our request to admit popcorn to the base acreage computation in 1982 and 1983 led to a lawsuit filed by our association in the spring of 1983 in Federal court in Omaha, NE. At the time, the judge decided that the Secretary of Agriculture had been arbitrary and capricious in excluding popcorn, and ordered the 77 plaintiff farmers in the lawsuit to be allowed to participate with popcorn acreage in the 1983 PIK program.

Relying on the judge's decision, these 77 farmers set aside their land and signed up for the program. In the fall of 1983 the Eight Circuit Court of Appeals overturned the district judge's decision. These farmers, then, let their land lay idle and received nothing for the same, yet the Government received the benefit of these idled acres. This was land that would have probably been planted to dent corn, and thus would have compounded the then oversupply of dent corn.

Mr. Chairman, I insert these comments regarding the lawsuit to illustrate that if these farmers had planted dent corn, fence row to fence row in 1983, not participating in the acreage reduction program, they would have increased their corn base for the 1984 farm program. The point then becomes that with current regulations, the Secretary allows the corn base to be increased even when a farmer doesn't participate in the previous year's farm program.

The solution to this problem is quite simple. Popcorn should be included the same as white corn, seed corn, waxy corn, flint corn, and male sterile high sugar corn, for purposes of computation and establishment of the farm feed grain base acreage. This appears to be the only solution and will produce the following results:

Popcorn will no longer be the historical loophole through which farmers can shortcut future acreage reduction programs.

Popcorn farmers and the popcorn industry will be able to control the supply and demand of popcorn on a more predictable basis.

Finally, and perhaps the most important, Mr. Chairman, increase the effectiveness of future acreage reduction programs.

The NPGA is asking Congress to make provisions for the inclusion of popcorn in future farm programs for purpose of computa-

tion of feed grain base acreage only. The association is not asking for the eligibility of this crop for price supports, commodity loans, and/or storage payments. This solution, if adopted by you, represents no additional cost to the U.S. taxpayer. It would, in fact, enhance the effectiveness of the taxpayers' dollars committed to current and future farm programs.

Before closing, I would like to introduce Mr. Jim McNally from our association, who is sitting right behind me. He is also a popcorn farmer, a corn farmer from the State of Nebraska, and he also is our association's attorney. Also behind me we have Mr. Bob Wilbur, who represents the Popcorn Institute. The institute represents 85 percent of the popcorn processors in the United States and, as you will see through their statements in the evidence here, certainly share our views regarding whether popcorn should be included in future farm programs.

I ask your indulgence, Mr. Chairman, just to run through the exhibits that I have attached: "Popcorn Silage: Grow Corn and Still Join PIK," this was a major farm magazine, Mr. Chairman, and it certainly should point out the fact that a whole industry developed around what I call the bootleg sales of this seed to corn farmers to shortcut the principles and the goals of the 1983 acreage reduction programs.

We follow that with exhibit B, which is simply another article from the Des Moines Register, touting the ability of corn farmers to be able to grow popcorn on nonbase acreage and still have the feed grains use.

Exhibit C is our most recent Nebraska Popcorn Growers Association position paper to the USDA, again outlining this program.

Exhibit D is the Popcorn Institute's support letter of our position paper to the USDA.

Exhibit E is interesting, in that this was a letter from the USDA written last year, from Dr. Walter C. Galinat, who is probably the world's foremost authority on corn, the history and the genetics of this particular crop. This letter was written to Mr. Buntrock of the USDA, alerting him to the problem of exclusion.

I also have submitted, as exhibit F, the support of our congressional delegates here in Washington, DC. This was submitted February 15, 1983, to the Secretary of Agriculture, also urging him to support our position.

Exhibit G is a letter from Dr. Gardner, past president of the American Society of Agronomy, to Mrs. Smith, outlining again the genetics and the fact that popcorn is corn and, therefore, should be considered.

Mr. Chairman, I appreciate the time you have granted to me today for my remarks. If anyone has any questions I would be very happy to respond.

Before closing, I'm sure you can all see this from where you're sitting, but for those of you who may not be familiar with what I'm talking about, I have some ears of dent corn here, Mr. Chairman. I know you're familiar with them, but for anybody else who isn't, these are popcorn and these are dent corn. Practically speaking, I think you can all agree with me, popcorn is corn and vice versa.

Thank you, Mr. Chairman.

[The attachments follow:]

For everyone in
agriculture interested in
latest new products.

Vol. 7, No. 2, 1983

NOT COUNTED AS CORN ACREAGE

Popcorn Silage: Grow Corn And Still Join PIK

Some Midwest farmers are getting around corn acreage reduction requirements in 1983 farm programs by planting popcorn.

According to rulings by the ASCS, "Popcorn will not be included as corn in determining whether or not a farm has complied with permitted acreage in the 1983 Acreage Reduction Program."

That means farmers can grow unlimited acres of popcorn for silage, or even as a feed grain, even if they're full participants in the acreage reduction and PIK programs. Popcorn cannot, of course, be planted on acres set aside from feed grain production but it could be legally planted on land intended for soybeans or small grains.

What kind of crop is popcorn?

"Popcorn silage has a feeding value roughly equal to that of silage made from dent corn, and it yields about 70% as much," says Bob Lungren of Mid-Plain Sales Co., Lake View, Iowa, a company promoting popcorn as a way to get around government restrictions. Lungren says university agronomists back nutritional claims for popcorn. In fact, feed grain tables show popcorn is higher in protein and several other digestible nutrients.

Lungren points out that planting popcorn for silage is not a new idea. "In 1963, farmers also discovered this

loophole in the government programs. Articles in farm publications urged them to use it as a silage but warned them to be prepared to prove that the corn would pop if they were ever challenged. As long as it pops it's not considered corn.

"The cost of growing popcorn is comparable to dent corn. We recommend a planting rate of 8 to 10 lbs. per acre for a plant population of approximately 24,000 to 30,000 plants per acre. The fertilizer rate is approximately three-fourths of that needed for dent corn. Most plateless planters can be used to plant it and, due to the popcorn kernel having a hard outer coat, it can be planted earlier than field corn without deterioration in the ground or being damaged by cold, wet weather. Popcorn is also more tolerant to drought than regular dent corn. Popcorn yields in excess of 90 bu. per acre have been obtained in many areas of the corn belt," says Lungren.

Popcorn seed is packaged in 50 lb. bags and is priced at \$1.75 per pound. Mid-Plain Sales Corporation's seed is a mixed variety that produces a mixed blend with no value on the commercial popcorn market.

For more information, contact: FARM SHOW Followup, Mid-Plain Sales Corp., P.O. Box 146, Lake View, Iowa 51450 (ph 712 657-8583).

EXHIBIT "A"

Can did you see this?

Producer plugs popcorn for its value as silage

BY PERKINS

VIEW, IA. — While many farmers prepare to take a loss on acres of corn ground killed by a payment-in-kind program, manager Ken Quinn hopes to get a batch of profits from popcorn seed for silage.

The pitch is this: Since the government's count popcorn as a crop, farmers can grow all they want and still participate in the payment-in-kind program.

Quinn says he grows on acres under the program, and Quinn says he can be grown for the remaining acreage of the retired for crop swap. Quinn says, will produce a bushel to three-fourths as much as field corn. And since it is not against a farmer's corn crop swap, livestock especially can benefit by planting popcorn seed this

isn't the first time that Quinn has tried to sell popcorn. He started planting popcorn for silage in the early 1960s, when it was not had a similar payment-in-kind program, Quinn also

idea. Quinn says, and it has been in the popcorn business more than 30 years. He Quinn Popcorn Co. Inc., 10 miles south of here, into a million a year, although he has a struggle at times.

Conventional business is to sell for humans, and to sell farmers to grow it for silage. Quinn says, grows himself on 500 acres in Iowa and Nebraska, price in the spring for grow the crop for him.

are split — half in the fall in the fall when the seed is planted. Cost of the seed is the time of delivery, average for popcorn is 40

per acre average gross is \$300 Quinn says. To field corn, there has been the effort put into genetic tests in popcorn. Kenneth E. Cooney instructor at Iowa here has been a 20-year

Quinn's capital

REGISTER PHOTO BY DAVID PETERSON



Ken Quinn shows a jar of popcorn for people.

lag in popcorn genetic research and only recently has there been any money made available for popcorn research. Ziegler said he is just beginning research into improving the standability of popcorn stalks.

At the University of Nebraska at Lincoln, agronomy professor Dale Flowerday quoted figures from the National Academy of Sciences' Atlas of Nutritional Data of U.S. and Canadian Food comparing the food value of popcorn and field corn as a "fresh mature crop." — not silage.

Although the figures for silage and a fresh mature crop are different, Flowerday said, the relative positions of the two would not change.

According to the figures, field corn yields more per acre (10.2 to 7.8 tons), and has more protein (7.9 percent to 7.7 percent), carbohydrates, fats and oils.

Popcorn has more total digestible nutrients and crude fiber than field corn, according to the figures.

Quinn has enough seed to plant 100,000 acres of popcorn for silage. He has sold about 20 percent of that, he says, at \$2 a pound.

It takes eight pounds of seed to plant an acre with a plant population of 22,000, Quinn says. John Deere and International Harvester both have plateless planters that can handle the smaller popcorn seed, he adds.

Cultivation practices, herbicides and insecticides are the same for popcorn as they are for field corn, Quinn says, but popcorn can be planted earlier than field corn because it has a tougher outer coat and is more resistant to cool, wet soil conditions. Quinn also says popcorn is more resistant to dry weather than field corn.

The popcorn that Quinn sells as human fodder is grown in Iowa, Illinois, Nebraska and Missouri.

Quinn owns land to all it, and he contracts with farmers to grow more for him. He says now, or contracts to his 1,000 to 10,000 acres a year.

Over-production of popcorn is a problem, Quinn says, since "it's easier to grow than it is. Popcorn is in pretty horrid right now. The companies many growers two years ago

Popcorn's problems part of field corn. The 1977 and 1 were small, Quinn says, and shranked to \$34 a bushel. Then the popcorn companies contracted for too much popcorn and 1982, and too much resulted. The price dropped to \$20 a bushel.

Because Quinn doesn't increase the amount of grown for humans this year, yellow and white hybrids to seed sold for silage. That is corn that is not suitable for human food.

Another way Quinn is in his popcorn these days is to brand name of "Kay Popcorn." The label on the glass jar features the smaller Quinn's 23-year-old daughter

The product is still being marketed, and is not widely available. Kay Quinn teaches physics to crippled children in the school. In addition to Kay, Quinn's wife, Lori, have two sons Bruce.

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EXHIBIT "B"



Nebraska Popcorn Growers Association, Inc.

P. O. Box 286
Elgin, Nebraska 68636

Telephone:
402-843-2411

NEBRASKA POPCORN GROWERS ASSOCIATION POSITION PAPER

On March 16 the Nebraska Popcorn Growers Association's Board of Directors met confirming the following position regarding popcorn and government programs:

1. NPGA asks the USDA to include popcorn in the formula to establish a farmer's feed grain base acreage (corn/sorghum base). Further, the USDA should provide an adjustment in base acres for farmers who planted popcorn in the years 1980 through 1983, adding these acres to base for purposes of computation of the base for 1984 programs and all subsequent farm programs. The Secretary possesses ample authority under the 1981 Farm Act to make such adjustments in base acreage as he deems equitable.
2. We believe the continuation of the policy of exclusion of popcorn from base acreage computation is not in the best interest of the Secretary as it effects the success of current and future farm programs. The exclusion of popcorn from the base acreage computation leaves a well-documented loophole through which nontraditional popcorn growers may produce a crop which is a look-alike substitute of field corn for silage and feed grain purposes.

From the NPGA's point of view the exclusion of popcorn from the feed grains base in past and current farm programs has and, unless changed, will continue to prejudice popcorn growers. This problem is based on the fact that popcorn is one of the few viable economic and agronomic cropping alternatives to field corn in the region. During the critical base year of 1981, a four state region, represented by our association, produced under contract up to 100,00 acres of popcorn. Since that period of time contract availability to growers may now only be 50% of previous contracted levels. This dilemma in fact forces growers to not participate in feed grains programs committing their total acres to field corn production; or participating in the program with the limited corn base they have, or growing popcorn on the remaining nonbase acres speculating on the value of popcorn and doing so without the ability to contract it to processors. This practice of growing the crop without contract can create an oversupply of popcorn and can be disruptive to the industry.

3. We would also like to emphasize from the NPGA's point of view the inconsistency regarding the exclusion of popcorn from current feed grains base acreage computation. Current farm programs specifically include seed corn, white corn and male sterile high sugar corn. The inclusion of these nonfeed grains in the current program, while undoubtedly justified from the USDA's point of view, make it difficult to accept the exclusion of popcorn.
4. NPGA is asking for the inclusion of popcorn in current and future farm programs for the purpose of computation of feed grain base acreage only. The association is not asking for eligibility of this crop as a commodity subject to price supports, commodity loans and/or storage programs.

The inclusion of popcorn in the base acreage computation will eliminate the problems outlined by this position paper and provide our industry, both growers and processors, with a predictable base from which to plan production and marketing.

THE POPCORN INSTITUTE



(202) 857-1100

SUITE 700, 1101 CONNECTICUT AVENUE / WASHINGTON, D.C. 20036

March 6, 1984

Grant Buntrock
 USDA/ASCS
 3630 So. Agriculture
 Washington, D.C. 20250

Dear Grant:

At its board of directors meeting February 25, the Popcorn Institute reaffirmed the following position:

1. Farmers who planted popcorn in the base years 1980-1983 should be permitted to include this acreage as an adjustment in determining their corn/sorghum base acreage. The Secretary has authority under the 1981 farm act to make such adjustments in base acreage as he finds equitable. Failure to permit popcorn farmers to include popcorn acreage in their base acreage creates a disincentive for farmers who previously planted popcorn to participate in the RAP or reduced acreage program with their corn/sorghum acreage. The result is higher feed grain production as these farmers remain out of the program and, free of acreage controls, expand production of feed grains.
2. The Popcorn Institute is opposed to inclusion of popcorn in the farm program as a commodity eligible for feed grain payments, price support, or the farmer-owned grain reserve programs. The popcorn industry has developed free of government support or government intervention in the pricing, production, or storage of this crop. This freedom from government support and market intervention should be maintained.

We hope that this position will be taken into account in administrative decisions that are made by the Department in the 1984 feed grain program and in any proposals which are made to the Congress for revision or extension of the Farm Act.

Please let me know if we can provide further assistance.

Sincerely,

Robert H. Wilbur
 Director of Government Relations

RECEIVED Apr -6 1983



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240 Beaver Street
Waltham, MA 02254
617-891-0650

*Dear Vincent,
I'm sure you understood
the popcorn loophole worked.
The USDA did not.*

March 21, 1983 *It was a pleasure in
your best wishes,
W.C.*

Mr. Grant Buntrock
USDA Director of Marketing Price Supports
P.O. Box 2415
U. S. Department of Agriculture
Washington, D.C. 21113

Dear Mr. Buntrock,

I was interested in your testimony for the USDA defense on charges against certain regulations of the RAP/PIK program in Federal Court, Omaha, Nebraska on March 17 because I gave testimony for the plaintiffs.

I want to call to your attention the enclosed literature from the Mid-Plain Sales Corp. of Lake View, Iowa in which they advertise their popcorn seed to be planted for the sole purpose of circumventing the PIK program on corn by means of the "popcorn loophole".

Apparently dent corn grown for silage is included in the acreage reduction program because it might be used as grain while popcorn is not included. Therefore, all corn silage will come from popcorn grown on oat or soybean land and there will be less real reductions in dent corn as feed grain because some of the acreage reductions are falsely achieved by switching from dent to pop silage. There is mention in the Mid-Plain brochure that popcorn may also serve as a feed grain. If this was recognized by the USDA, the loophole would be plugged.

Sincerely,

Walton C. Galinat

Walton C. Galinat,
Professor

MCG:n
ENC5.

EXHIBIT "E"

Congress of the United States
House of Representatives
 Washington, D.C. 20515

February 15, 1983

The Honorable John R. Block
 Secretary of Agriculture
 Department of Agriculture
 Washington, D.C. 20250

Dear Mr. Secretary:


We wish to strongly endorse the position of the Nebraska Popcorn Growers Association as recently presented to you and your staff. In order to prevent serious inequity under the 1983 farm program, corn base acreage should be adjusted to reflect true corn production, including popcorn acreage.

Under the present program rules, the farmer loses flexibility to adjust his corn acres (popcorn and field corn) to market conditions. This forces him either 1) to stay out of the PIK or RAP program, planting corn fence-to-fence or 2) participate in the program, planting popcorn on the acres not included in his base. The first choice artificially increases corn production; the second increases popcorn production beyond market demand (with the risk of a market collapse, with the excess popcorn going into feed). Neither course is intended by 1983 program objectives.

Popcorn is a form of flint corn, which is already classified as feed corn. Like white corn (accepted in the program), it has a secondary use as feed grain. Seed producers are already promoting popcorn as a feed grain which can be grown outside the program. Adjusting bases as suggested above would close this loophole.

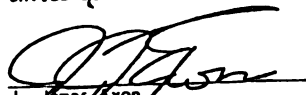
The popcorn growers are not asking for a PIK or RAP program for popcorn. They are asking only for an adjustment in determination of base, within your authority under the 1981 Farm Act. This action will further the objectives of the 1983 program while correcting a situation which threatens severe damage to our country's popcorn producers.

Sincerely,


 Virginia Smith
 United States Representative


 Edward Zorinsky
 United States Senator


 Douglas K. Bereuter
 United States Representative


 J. James Exon
 United States Senator


 Harold J. Daub
 United States Representative



AMERICAN SOCIETY OF AGRONOMY

Headquarters: 677 South Segoe Road • Madison, Wisconsin 53711-1086

CHARLES O. GARDNER
Past President

For reply, please address:
Department of Agronomy
University of Nebraska
Lincoln, Nebraska 68583-0915
Phone: 402/472-1532

February 3, 1983

Congresswoman Virginia Smith
United States House of Representatives
Washington, D.C.

Honorable Mrs. Smith:

Some Nebraska farmers have complained to me about the Department of Agriculture's failure to consider popcorn to be corn for purposes of the new PIK program designed to reduce corn acreage in 1983. As a scientist who has worked as a corn geneticist and breeder for 35 years, I do not believe that there is any logical basis and certainly there is no scientific basis for such a decision.

All corn belongs to one species, *Zea mays* L. All corns can be crossed with one another, and the differences among them are entirely due to breeding procedures and the selection criteria used in their development. Today we have many types - dent corn, flint corn, flour corn, sweet corn and popcorn. We have waxy-endosperm corn, high-amylose corn, sugary-endosperm corn, opaque-2 (high lysine) corn and high-oil corn. Corn comes in a wide variety of colors. We have yellow corn, white corn, purple corn, red corn, brown corn, and a variety of mixed colors. We have inbred lines, hybrids, open-pollinated varieties and synthetic varieties of corn.

Since many of the corns mentioned above are specialty-use corns, how can popcorn be excluded unless they also exclude others. Corn is corn regardless of endosperm, aleurone and germ characteristics which are easily changed through breeding procedures. I doubt that the Department of Agriculture even knows which farmers grow the waxy corn, high lysine corn, high oil corn, etc.

Regardless of which type of corn is grown, (they all fit into the crop rotation system in the same way and they should all be treated the same) There is a surplus of all corns, and if the specialty corn growers are not included in the program, this is outright discrimination. Many will switch to growing the yellow-dent hybrid corn with normal endosperm, which will defeat the purpose of the program.

The argument has been used that if popcorn is included, then farmers will want other crops like sugarbeet included, which makes no sense at all. Popcorn is corn (*Zea mays* L.) and sugarbeet is an entirely different genus (*Beta vulgaris* L.). If a program to reduce sugarbeet acreage is needed, it should be an independent program.



AGRONOMY JOURNAL • CROPS AND SOILS • AGRONOMY MONOGRAPHS

EXHIBIT '83

I hope that you will discuss this matter with appropriate authorities in Washington and get the policy changed if at all possible. I own no land and have nothing to gain personally, but as a scientist, I believe that the popcorn farmer is definitely being discriminated against in the new PIK program.

Sincerely,



C. O. Gardner
Foundation Professor and
Past President,
American Society of Agronomy

COG/rh

Mr. STENHOLM. Thank you. We will hear from the other witnesses, and then question each of you as a panel.

Next we will hear from Mr. Michael Durando, assistant director, national affairs, American Farm Bureau Federation.

**STATEMENT OF MICHAEL V. DURANDO, ASSISTANT DIRECTOR,
NATIONAL AFFAIRS DIVISION, AMERICAN FARM BUREAU FED-
ERATION**

Mr. DURANDO. Thank you, Mr. Chairman. It is a pleasure for the Farm Bureau to be here today to present our comments on your legislation, H.R. 4565. I would note that the Farm Bureau did testify before the full committee on February 29, at that time concerning the 1985 farm bill, again looking for ideas to replace existing farm programs in that 1985 legislation. Our general comments were presented at that time. I will direct the majority of my comments to your specific bill on acreage bases and program yields.

Mr. STENHOLM. Without objection, if you summarize, your full statement will be made a part of the record, and we will appreciate your summarizing.

Mr. DURANDO. OK. I will be glad to answer any questions on other program aspects at the end, if we want to get into that.

Mr. Chairman, the Farm Bureau has reviewed H.R. 4565 and, in general, views the legislation as an innovative and positive approach in attempting to solve what has become a perplexing problem in the administration of Government farm programs. The problem of implementing effective, yet flexible acreage base mechanisms to use in conjunction with production adjustment provisions has been a challenge, to say the least, over the past several years.

There appears to be general agreement that, within the context of the 1985 farm bill debate, a revised system of acreage bases or other program crop acreage concepts should be developed that will increase the effectiveness and the efficiency of subsequent farm price support programs. At this time the Farm Bureau is not prepared to either support or oppose H.R. 4565. Our policy for 1984, as approved by our voting delegates last January, does not make any specific recommendations for a change in the acreage base concept or mechanisms, nor does it state a position of support or opposition to the current system. In addition, our various commodity advisory committees as well as our board of directors are continuing to examine this issue, and have not yet recommended a specific position. Although Farm Bureau is not able to take an official position at this time, we are pleased to be able to offer the following comments in hopes of adding to a constructive discussion.

The concept of a farm acreage base could be an improvement upon the previous normal crop acreage concept utilized in the 1977 Food and Agriculture Act. It is an improvement in the fact that the farm acreage base is able to expand or contract on a gradual basis, depending on the management and production economies of each individual farm. Certainly this makes more sense than locking in some sort of overall farm base acreage at a historical level to be utilized for the subsequent 4 years, as this implies a continuation of the status quo for some definite or indefinite period in the future. Agriculture changes constantly, as it is a dynamic industry.

Farmers must have the flexibility in the management of their operations, as well as their farm programs, to adapt to changing supply, demand, and cost factors. Any attempt to lock in rigid acreage bases reduces the farmer's ability to respond to these market signals.

The same type of improved flexibility is apparent in the proposal for a crop acreage base. In addition, the requirement that a producer notify USDA 2 months prior to the required program announcement date of any intention to shift crop acreage base from one commodity to another, this may allow farmers to adjust their production plans based on market signals prior to the announcement of any program. In a way, this will ensure or allow farmers to perhaps "farm the market" rather than "farm the program." That may be subsequently announced.

The proposal to revise the program yield provisions appears to be a move in the right direction. Program yields such as proposed in H.R. 4565 appear to be more equitable and accurate, and will serve to smooth out the variations in yields which could be caused by weather and other unpredictable factors. Absent any corrections or adjustments by the Secretary of Agriculture, the current program yield provisions of the Agriculture and Food Act of 1981 could penalize the producer who was impacted negatively by poor weather, while rewarding the producer who experienced favorable weather conditions the previous crop year. Certainly H.R. 4565 removes some of the discretion from the Secretary in that respect, and this may add predictability to the program.

Whether or not to put a system of improved base and yield formulas into permanent law may be of some controversy. To extend the discussion one step further, would it make sense to put not only base acreage and yield provisions into permanent law, but also other important farm price support provisions, to avoid the need for reworking farm programs every 4 years? Farm Bureau is not necessarily recommending that the 1985 farm bill be enacted as permanent statute; however, it may be useful to further examine this concept, taking into consideration the fact that history shows us that since 1933 there have been 77 bills enacted which have modified the various farm price support programs. Just since enactment of the 1981 bill, there have been four major changes in that legislation, which averages out to more than one change per year.

The point being that putting a program into permanent law may add increased predictability, efficiency, and effectiveness to the farm price support area, yet at the same time it will not deny Congress the right to amend those statutes at any time. In general, if an acreage base and yield formula can be put into permanent law, it may be wise to accompany such an enactment with appropriate farm price support legislation.

If the newly enacted farm program legislation, such as the upcoming 1985 farm bill, is as useful, flexible, and successful as all of us will hope it to be, then there will be no reason to amend it in the future. However, if the bill does not measure up in the years following enactment, despite the fact that it is permanent law, it could still be repealed or amended by the Congress. If a 4-year farm bill, on the other hand, is to be enacted in 1985, it may be

wise to accompany that measure with a 4-year system of base and yield formulas, since there will be no way to predict what will happen in the farm program area following, say, the 1989 crop year.

Mr. Chairman, in an attempt to address some of the questions that you have raised throughout the day and some of the specific ideas you have for changing your legislation, I might just address some comments to those areas very briefly.

First of all, in terms of whether or not to include soybeans in the farm acreage base concept, at this time Farm Bureau would oppose such a move based on our policy which opposes any type of acreage control for soybeans. We view the inclusion of soybeans in an FAB as a de facto acreage control, since a farmer would have to control his soybean acreage to be eligible for his price support programs for cotton, rice, and other commodities. The other concern we might have, just to raise the point, is that the soybean sector and producers have traditionally resisted supply control, and they are desperately trying to maintain and promote an increasing perspective of a reliable supplier. Certainly they saw a lot of their market eroded back in 1973, and they are fighting head-on-head with the competition in Brazil, partly put there by Japan.

In terms of the farm acreage base, the other question we would raise is the fact that it implies a sort of cross-compliance type program. Now we don't have a specific provision on cross-compliance, except to say that there is a wide range and diversity of opinion out in the country among all of our Farm Bureau members from coast to coast, from north to south, and it is going to take some discussion and further consideration, I think, to reach a consensus on that. Traditionally, those farms which are very diversified and may be producing three or four of the commodities, those types tend to oppose cross compliance provisions, preferring instead to be in compliance on a single commodity by commodity bases. I would just raise these points. Again, we don't have a specific recommendation on the FAB at this time.

In terms of your summer fallow consideration, our policy does support adequate and appropriate consideration of summer fallow practices in determining any kind of acreage adjustment or production adjustment mechanism for wheat. The question has been raised about the 60-day provision for a farmer to change his crop acreage base. This may or may not work for farmers. We recognize the point that requiring a farmer to adjust his base 60 days prior to the program announcement may be beneficial. Certainly it would then allow the department to make the appropriate decision, if you will, in terms of a production adjustment move that year on either an acreage reduction or paid diversion.

The other thing to consider is, there has been a lot of talk so far this year about structuring price support loans based on the rolling 5-year averages, such as the soybean or the cotton programs, maybe do the same thing for wheat, feed grains, and rice. We have also had a law just enacted that has triggers, carryover stock triggers to require acreage reductions in paid diversion programs for the basic commodities. If these types of concepts are continued, say, in the 1985 farm bill or subsequent legislation, you have a much more predictable type of program. A farmer, if he knows about the

carryover triggers and he knows about the loan rate formula, for example, if those are in place, will be able to fairly well pencil out what the program will be despite the fact it hasn't been announced yet, and certainly make his decision 60 days in advance. Again, I just raise that in the context of the overall discussions on the price support loans rates and the acreage reduction triggers.

In terms of whether this bill should be enacted this year or not, we will leave that judgment up to the committee and up to you. We are prepared to work with the committee, either way the committee chooses to go. The only question we raise is that, if this bill is enacted this year and then we do work on a farm bill next year, we have heard a lot of talk about voluntary acreage controls, mandatory acreage controls, and certainly the definition of mandatory varies depending on who you talk to. I think, depending on the type of acreage control that is implemented, there may be a difference of opinion whether this type of base structure is the most sound one to go on. Finally, Mr. Chairman, I think we cannot over-emphasize the need for flexibility in these programs.

There was some talk earlier this morning about what happens if a producer stays outside of his base 1 year and doubles his acreage, and then he will have a larger program base for the following year. Shouldn't this be prevented? Farm Bureau would tend to discourage any kind of prevention technique or mechanism in that regard. If a producer is willing to take the risk 1 year, to stay outside the program, to expand his operation for one reason or another, and can do so successfully, under your proposal his expansion will only count as really one-fifth in that formula in terms of enlarging his acreage base. I don't think that's anything we need to get overly concerned about. Certainly we have to continue to allow producers the freedom to make those types of production decisions, short of any kind of, just some sort of predetermined agricultural program which gives producers no choice in the matter at all.

As I say, Mr. Chairman, whether you move the bill this year or next year, we are willing to work with you on it. That concludes our comments. We appreciate being able to comment and we will be glad to answer any questions.

[The prepared statement of Mr. Durando appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you, Mr. Durando. Next we will hear from Mr. Gary Condra, agricultural economist from Lubbock, TX. Welcome, Gary.

**STATEMENT OF GARY D. CONDRA, AGRICULTURAL ECONOMIST,
LUBBOCK, TX**

Mr. CONDRA. Thank you, Mr. Chairman. I would like to first commend you for the obvious work that has gone into the development of the Agricultural Efficiency and Equity Act. I would also like to thank this committee for the opportunity to present testimony. I think this bill addresses a critical need for consistency, flexibility, and predictability in the computation and assignment of farm program bases and yields.

For the record, I am an agricultural economist by training and experience. I have worked for the last 10 years in west Texas, and I

am currently a candidate for the Democratic nomination to the 19th Congressional District seat being vacated by Kent Hance. I hope, in view of that, that my remarks will be interpreted as being representative of the concerns of a great many west Texas producers.

I will make an effort to summarize the testimony, the written testimony which has been provided to the committee. I did attach development criteria for the 1985 farm bill, and certainly I know that it has been very difficult throughout this discussion not to have this discussion stray from the discussion of bases and yields to the 1985 farm bill. I only address that for the purpose of pointing out that I feel like there are some criteria which must be met, and those criteria are that the 1985 farm bill must provide profit and stability to agriculture. It must be a long-run program and it must maintain our level of exports, and I believe that it will require mandatory participation.

I believe there is definitely a need to establish a permanent base and yield system, but my concern at this particular point is that we recognize those criteria in an effort to address the need for profit and stability in the base and yield system. I would point out that if we have a voluntary program and there is an inequitable method of calculation for an individual producer's base and yield, what we will encounter is lack of participation. If in fact we have a mandatory program, then there is no way that that producer can avoid the calculation of an inequitable base or yield.

My greatest concern in the bill as it is currently written is in the calculation of the 1986 program yields. The committee has already heard a great deal of testimony regarding the last 5 years of weather conditions which have been encountered by producers in west Texas. However, I know that there are many, many producers who have three or four disasters out of the last 5 years. If we cannot get program yields up for our producers, we cannot restore profit and stability to agriculture; we cannot make a voluntary program work; we cannot develop a mandatory program which is equitable. For this reason, I strongly urge the committee to consider incorporating a procedure for establishment of 1987 program yields which reflects the productive capacity of the farm.

I also urge the committee to consider the inclusion of a weather adjustment in the calculation of yields for years following 1986. In my testimony I have included discussion of double-crop and summer fallow provisions which are needed. However, that has been discussed already and I won't cover that any more. I believe, Mr. Chairman, that you clarified my concern regarding voluntary reductions and the effect that that would have on program base.

My last major concern, my last major reservation, deals with the discretion provided to the Secretary of Agriculture to suspend farm acreage base limitations or crop acreage base limitations when he determines that there is a supply shortage of any crop. That is included in section 105. Since this bill will be permanent law, I don't think it would be practical to try to define a supply shortage in terms of carryover and/or price conditions, but I would suggest that the committee consider tying this discretionary authority to supply conditions which are more completely spelled out in related farm legislation. Specifically, I am concerned that supply shortage,

the definition of a supply shortage really depends on where you are looking from, whether you are looking from the farm angle or the consumer viewpoint. I will be happy to entertain any questions at the conclusion.

[The prepared statement of Mr. Condra appears at the conclusion of the hearing.]

Mr. STENHOLM. Thank you, Mr. Condra. Next we will hear from Dr. Ed Smith, extension economist, grain marketing, Texas A&M University.

Mr. SMITH. Mr. Chairman, Dr. Richardson will present our summary.

Mr. STENHOLM. Dr. James Richardson.

STATEMENT OF JAMES W. RICHARDSON, ASSOCIATE PROFESSOR, AGRICULTURAL AND FOOD POLICY CENTER. DEPARTMENT OF AGRICULTURAL ECONOMICS, TEXAS A&M UNIVERSITY, ACCOMPANIED BY EDWARD G. SMITH, EXTENSION ECONOMIST, GRAIN MARKETING

Mr. RICHARDSON. Thank you, Mr. Chairman. We at the Agricultural and Food Policy Center of the Texas A&M University system appreciate the opportunity today to testify on the Agricultural Efficiency and Equity Act of 1983. Uncertainty is one of the major problems confronting agriculture. Government contributes to this uncertainty when short-run changes are made in farm programs. H.R. 4565 would make the methods used in computing farm program bases and yields more predictable, while allowing farmers to respond to economic forces. In the interest of brevity, we will summarize the full testimony you have been provided.

In July 1983, a survey was conducted of farmers in the major crop producing regions of Texas concerning their attitudes toward the farm program base and yield issue. The essence of the findings of this survey is that farmers are willing to accept alternative means of setting the acreage and yield base.

While producers recognize the efficiency of a production base that combines acreage and yield, they prefer the flexibility of an acreage base. Except in rice, producers believe the base should be tied to the land rather than the operator. In calculating the yield base, a majority of the producers would prefer to simply take the average of three of the past 5 years, dropping the high and low yields.

Detailed survey results are available from us in a separate publication. It appears that H.R. 4565 is responsive to the attitudes of Texas producers, as determined by our producer survey. However, as economists we have comments on several provisions of the bill. An alternative to limiting the legislation to program crops would be to give farmers increased flexibility by including all cultivated and potentially tillable acreage in the base. The emphasis would then be on the total acres farmed, not on individual crops. By employing this alternative, the overall surplus problem could be more effectively dealt with. It would also allow market prices to determine a farm's crop mix, rather than a misguided or regimented base.

While it may be argued that individual crop acreage bases allow for more effective planning, a total farm acreage base does not preclude this. Section 104 of your bill deals with this issue, in that producers would submit notice to the county committee of an intent to change their crop acreage base prior to the announcement of the farm program. With such notice, the Secretary of Agriculture would have a good estimate of the acreage to be allotted to any specific crop and would make adjustments in the farm program as deemed necessary by use of a national crop acreage type of program. Section 104(b)(1) restricts the adjustment in acreage base in any one year to only 25 percent of the total farm acreage base.

In addition, section 104(b)(2) further limits the adjustment to the acreage planted the year before. This 25 percent adjustment limit could have adverse regional impacts on the ability of farmers to implement crop rotation programs. The restrictions in section 104(b)(2) preclude the production of a new crop, regardless of market price incentives.

A national crop acreage type of program with the provision in 104(c) has sufficient flexibility to handle aggregate acreage adjustments, while allowing efficient resource allocation. In section 106, program yield is determined using historical harvested acre yields. Harvested acre yields give producers a distorted signal. If the farm program is sufficiently important to the producer's viability, economically valuable crops could be destroyed to maintain harvested acre farm program yield.

Additionally, small acreage could be intensively farmed and a harvested acre yield applied to the whole farm. Planted acre yields, on the other hand, allow productive economic forces to dictate resource allocation. The specific formula used to determine farm program yield is particularly important when debating permanent legislation. While the plus or minus 10 percent limit on farm program yield adjustment prevents massive changes of farm program yield in any 1 year, it does not alleviate the impact of back to back natural disasters when using a 5-year average, dropping the high and low years' yield, as you have done in H.R. 4565.

An alternative is to develop a weather adjustment factor which considers the impacts of weather on the farm program yield. Table 1 in our testimony details the adjustment process under various farm program yield formulas, including the one proposed in H.R. 4565. While the material in table 1 is hypothetical, it demonstrates the long-run impact of selected farm program yield formulas when a farm experiences back to back disasters.

In the example, we assume a cotton farm produces 500 pounds of lint per harvested acre in each year 1977 through 1991, except in 1982 and 1983 when a disaster was experienced and the farm's harvested yield dropped to only 100 pounds of lint per harvested acre. For purposes of discussion here, we will concentrate only on the first three strategies.

Strategy one represents a formula currently used by ASCS for cotton. Strategy two represents a farm program yield formula proposed in H.R. 4565. Strategy three represents a farm program yield formula proposed in H.R. 4565, but without the plus or minus 10 percent yield adjustment band. The proposed farm program yields in table 1 are graphically represented in figure 1. The farm pro-

gram yields in figure 1 indicate that a formula which imposes production adjustment bands but without a weather adjustment factor, such as we have in strategy two or H.R. 4565, extends the adjustment period 4 years longer than the current farm program yield formula used for cotton. In the example, the impact of the disasters in 1982-83 on farm program yield were experienced until 1991 under strategy two.

On the other hand, a weather adjustment factor as used in strategy one, coupled with the absence of an adjustment ceiling, allowed farm program yields to return to normal in a much shorter period, by 1987. Removing the plus or minus 10 percent adjustment limit in strategy two would allow farm program yield to return to normal by 1988, as demonstrated by strategy three. When a maximum adjustment band is provided and the adjustment period is extended for several years, farmers have less incentive to participate in a farm program when a plus or minus 10 percent band is in place. This is especially true during the later years after a disaster, because the farm program yield does not truly reflect the productive capacity of the farm. Mr. Chairman, we would be pleased to answer any questions at this time.

[The prepared statement of Mr. Richardson and Mr. Smith appears at the conclusion of the hearing.]

Mr. STENHOLM. Dr. Richardson, on page 4 of your testimony you suggest using all potentially tillable acreage in the farm acreage base. I think we should do this at least for soybeans, and now we have added ELS cotton, and I think the Popcorn Association testimony indicates the same relevance to them being included in the farm acreage base. Now we have also heard from some expressing some reservation about this today. Do you think we could devise a system that would count all acreage for the farm acreage base, but assign crop acreage bases only to the program crops, thus leaving crops like peanuts to their own programs, as well as soybeans, et cetera?

Mr. SMITH. I see no reason—excuse me, Mr. Chairman, I'll take that—I see no reason, because of the problems of popcorn, soybeans, whatever, the same thing should apply to potentially tillable land. I mean, just because it is not in production now, if we are in permanent legislation you may have the market incentive to be in production in future years. That, like we said, does not preclude a farm program for your typical farm program crops, in that the Secretary or whoever has discretion to set that program directs the program at those crops. It does allow the flexibility that you want in resources being allocated to the farm based on market incentives.

Mr. STENHOLM. Would you agree that the inclusion of these crops—in that both soybeans, Mr. Durando has spoken I think very factually for the Soybean Growers' Association and others in regard to their interest, Mr. Morabito has stated that they have no desire for target prices, support loans, or anything else for popcorn—do you believe that it would be possible to devise legislation that would include these crops and maybe others—vegetables, we have heard, and we can go on and on for farm acreage bases but at the same time recognize their desire not to be a part of control pro-

grams, not to be a part of set-asides, paid diversions, or anything else?

Mr. SMITH. I don't see why not. The total farm acreage base, including all of these nonprogram crops, so to speak, just gives an accounting of the base acreage that's out there. If they have to submit to you 60 days before the year what they are going to put in each crop, then the Secretary of Agriculture or whoever has the discretionary power will have an accounting of what total available base there is and, through the national normal crop acreage or national crop acreage base they can come up and make the adjustments needed for the program crops that you want to direct. I don't see why including them in a total acreage base concept forces them into the farm program. I would have to have that explained to me.

Mr. STENHOLM. Anyone else want to take a stab at that?

Mr. DURANDO. Mr. Chairman, just to comment again—maybe I am a little bit confused—but I did raise the question on the soybeans and would just again try to, either in question form or make the point that including, for example, soybeans in a farm acreage base—despite the fact that they may or may not have loan or target price protection or what have you—seems to me that, for example, as a condition of eligibility for a producer to participate in the cotton program or in the rice program, he would have to be in compliance, according to your legislation, first of all on his crop acreage bases, and second of all he would have to be in compliance on his farm acreage base. That would mean that the total crops—which might be cotton, rice, wheat, feed grains, and soybeans—could not exceed his farm acreage base, which means that maybe during that year if he had gone out and purchased another 50 acres and put that in soybeans, he would be out of compliance with the program, unless I'm reading it wrong. But that's the problem where we would see it, where you are putting a damper on soybean expansion if a guy wants to expand.

Mr. STENHOLM. You are reading it wrong as far as this legislation is concerned, because this is not dealing with the cross-compliance question or any of the other issues at all, but even if we were talking today about farm legislation—I mean, the farm bill, rather—not H.R. 4565, I would say that my question of Dr. Smith was, could we not still devise a program that would allow soybeans, popcorn, extra long staple cotton, vegetables, whatever, to do their own thing? They don't seem to be concerned about supply management, and we've got enough problems with other programs without trying to devise a program for them. Let them do their own thing, but it's important for rotational purposes and control of the other commodities, quite frankly, that we have them included in the farm acreage base, as I see it, but not to superimpose other commodities' wishes on any other crop.

Mr. MORABITO. Mr. Chairman, I would like to address that for just a second. There is a subtle difference, I believe, between the two positions, and I would like to take the time for a second here to point that out. We find, as a commodity that has been excluded today from the computation of the feed grains base, while basically all other corns have been included that are not feed grains, that we have a situation where we have a false stimulation of production of

In that sense, he should have a fairly good knowledge up to 60 days prior to the program announcement date, as to what the carryover situation should be, whether there will be this minimal mandated program in effect in terms of an acreage reduction or paid diversion.

If loans are restructured—I am saying this is “if”—to something like the soybean or the cotton program, he will have a general idea of what the price support loans are going to be, fairly close, anyway. The targets are somewhere else out there. Then he can make a pretty good judgment in terms of whether he should shift his crop acreage base or not from one commodity to the other. I think this could be done 30 to 60 days, say, in advance of the program adjustment.

The significance, I think, is that he has to make that decision prior to the announcement rather than after. That way the department can take a look, if they have to exercise additional discretion for more diversion or acreage reduction, and also you don't have farmers trying to shift back and forth all of a sudden to capitalize on one program at the expense of another.

Mr. ROBERTS. Mr. Chairman, with that answer I think you find a rather unique situation where you have a consensus among farm organizations in regard to some form, at least, of a market corridor approach. I know there would be a lot of differences of opinion, but this is what we have been talking about when we have been discussing this whole effort, and let the record show that there is a consensus. Which path we take to get there from here and all of that could be subject to a lot of controversy and a lot of strong differences of opinion, but I am encouraged by this. We have some folks in Kansas who have been doing a market corridor study for a considerable amount of time, and I am encouraged that a majority of farm organizations think it's a good idea, worth exploring. Thank you, sir.

Mr. STENHOLM. Mr. Franklin.

Mr. FRANKLIN. No questions, Mr. Chairman.

Mr. STENHOLM. Dr. Richardson, on page 5 you suggest some changes in the 25 percent option of switching CAB's, and we have heard some discussion already on this today. I have already testified that it's my intent that this factor be over and above a producer's normal rotation practices, and I also agree that we should consider eliminating the prohibition against doubling of CAB's. That really doesn't make a whole lot of sense either. But would you agree or disagree that some restriction on switching out acreage is necessary, if supply controls continue to be needed?

Mr. RICHARDSON. We will both respond to that. I would agree with you that total switching out is impossible, because what we do is just rotate our surpluses from one commodity to the next commodity, and that is the reason we are proposing a national crop acreage base that would include all of the tillable and currently cultivated acres on a farm. Do you want to add to that, Ed?

Mr. SMITH. No.

Mr. RICHARDSON. OK. That's about it.

Mr. STENHOLM. Any other members, Mr. Condra or anyone else, like to make a comment on that? Particularly to the point that was raised by Mr. Barr of the National Cotton Council and Mr. Huck-

Mr. MORABITO. Nil to none, would be the best way I could classify that.

Mr. ROBERTS. I think Mr. Stangeland, my good friend and colleague from Minnesota, has also indicated he has received the same kind of response. If I could ask the representative from the Farm Bureau just one question—and I appreciate your testimony, sir—but you have indicated that you are not quite ready to saddle up with Mr. Stenholm and myself yet, but at least the horse is not turned in the other direction.

Mr. DURANDO. Sure. We are looking at the proposal, as I said, Mr. Roberts. We don't have specific policy on it. We don't have a board action on it, but we're openminded and we're ready to go to work and do the best we can.

Mr. ROBERTS. I know you have got to go out to your States and, well, first of all to your counties with their resolutions, and then to your States and then to the national organization. I know that's the way the Farm Bureau operates. I was interested in your comment, if I might, on sort of a market corridor approach. You indicated a positive reflection on that or a positive action on that, where you have some warning flags in regard to the surplus or the supply and demand figures, and when the warning flag pops up we would trigger in some form of supply management, be it a diversion or be it, you know, whatever, and that hopefully that would provide some long-term planning down the road. Would you care to amplify on that?

Mr. DURANDO. I would be glad to, and I am referring to provisions, for example, that were just signed into law—the recent 1984 farm bill, if we can call it that, that was just signed in—

Mr. ROBERTS. It's called the Wheat Improvement Act.

Mr. DURANDO. The Wheat Improvement Act, the Agricultural Programs Adjustment Act, or whatever.

Mr. ROBERTS. In Kansas it's called the Roberts act.

Mr. DURANDO. The Roberts farm bill? OK. [Laughter.]

I would elaborate by saying the provisions in that bill, for example, that call for—first of all, it mandates the wheat program, the diversion program for 1985, but let's say more specifically for the feed grain program, I believe if carryover is projected to exceed 1.1 billion bushels the Secretary is mandated to implement a paid diversion and/or combination of acreage reduction and paid diversion programs. Cotton has a similar provision, depending on various levels of carryover, as does rice, I believe. This is the type of trigger we are talking about. We are supportive of those types of mechanisms. We have been for a number of years, for several reasons. It removes some of the politics, if you will, from the annual program announcement process, both from the Secretary's discretion standpoint and from the Congress having to get in there and try to force the Secretary to take action, which has occurred over the past several years.

Second of all, it's a program that's fairly predictable. Any farmer worth his salt is going to be keeping his eye on the supply, the demand projections, carryover stocks, and it won't take too much pencil work to really get a rough estimate of where the stocks look and whether this diversion or acreage reduction program would be triggered.

In that sense, he should have a fairly good knowledge up to 60 days prior to the program announcement date, as to what the carryover situation should be, whether there will be this minimal mandated program in effect in terms of an acreage reduction or paid diversion.

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Mr. FRANKLIN. No questions, Mr. Chairman.

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Mr. SMITH. No.

Mr. RICHARDSON. OK. That's about it.

Mr. STENHOLM. Any other members, Mr. Condra or anyone else, like to make a comment on that? Particularly to the point that was raised by Mr. Barr of the National Cotton Council and Mr. Huck-

aby, concerning the thought that a farmer with 2,000 acres, let's say, of farm acreage base and who was farming a fourth soybeans, a fourth cotton, a fourth corn, and a fourth wheat, let's say, 500, could increase his cotton acreage by 500 acres in 1 year.

Mr. SMITH. Excuse me, Mr. Chairman, that would be correct, but you also have the provisions later on, and we assume that these programs will be directed at crops in some kind of supply management or income support type program, if it needed supply management you also have the provision, I believe, on down the line where again they have to tell their local ASCS committee what their crop is going to be 60 days ahead of the program announcement. The Secretary of Agriculture still can take into account those acres. Now I guess—I don't know what he was leading to—yes, maybe they can start growing cotton and they should not have before or whatever. That's just economic forces allocating resources. Maybe they should have been before because of the regimented acreage base.

Mr. STENHOLM. Mr. Condra.

Mr. CONDRA. Mr. Chairman, if I could point out—and I realize that this point has been covered—but one of the criticisms if that flexibility is not there is that we are locking in some historical pattern that leaves no flexibility whatsoever, and I know you alluded to that earlier. You know, ideally we would all like to be in a situation where our position was, in fact, protected in a given crop, but I don't see any way that we can have it both ways. We're either going to have flexibility or we're going to lock in historical patterns.

Mr. STENHOLM. Yes, that expresses my thought. We'd all like to have our cake and eat it too, but it's very difficult to design a program that allows us to do that without some of the results that we have been seeing. Along the same line again, Dr. Richardson or Dr. Smith, would your objections to the yield formulas be resolved if there were a 90 percent floor but no ceiling?

Mr. RICHARDSON. We will both respond to it. It would certainly speed up the adjustment process, but you've still got the length of the adjustment there as a problem. The current ASCS formula provides a much shorter time period to recover from a series of back-to-back low yields than either your proposal in the original bill or the additional proposal you just put forth.

Mr. SMITH. Wait a minute. Did you say just a floor and no ceiling?

Mr. STENHOLM. No ceiling, yes.

Mr. SMITH. OK. That's basically what you have now in the current program.

Mr. STENHOLM. We've got an 80 percent floor this year.

Mr. SMITH. Right.

Mr. STENHOLM. I guess the other question is, would you prefer a 125 percent ceiling, no ceiling, or is it better to use an adjustment factor like the high 4 or 5 years?

Mr. SMITH. I think when you have a natural disaster you're going to have to recognize some adjustment factor in your yield. All we tried to do in this hypothetical example is to say, one, that the formula is very important because of the adjustment process.

We looked at a few formulas, and we looked at some in the high plains in your district. We didn't look at all possible.

All we're saying is, there needs to be research in anything, and we pointed here to the yield formula back on the acreage base, how any formula, there should be a little research put behind those before you come out. As you see from our example on this hypothetical farm, this farm produced 500 pounds every year except 2, and with the H.R. 4565 it is extended out some 10 years. You're not going to get participation then when this farmer is expecting to produce 500 pounds, and he has a 367-pound yield because he is limited in the later years.

Mr. STENHOLM. Have you ever given any consideration to the concept I mentioned earlier, of the possibility of providing for insurance of yields?

Mr. RICHARDSON. No, we haven't looked at that in terms of insurance of yield. We have evaluated Federal crop insurance, but that's not what you're alluding to at this time. We have plans to do additional research on farm program yield formulas, but we have not looked at that. How do you actually propose to do that?

Mr. STENHOLM. The idea just came to me last night, I guess, in looking at some of the potential ways that we might address this very real problem, and that is possibly under the self-help theory that we hear a lot about now around this committee. We are moving more in that direction because of budget considerations. Let's use, for example, this year's 80 percent floor, which is not adequate in many regions where you're getting a major disaster—if you keep the 80 percent floor, a farmer who went into the Federal crop insurance program might insure his yield at 90 percent. In other words, if you take out the crop insurance you guarantee your yield at 90 percent for program purposes in addition to your economic considerations if you have a total crop loss.

Mr. RICHARDSON. If that yield is based, if that farm program yield is based on a harvested acre base, we point out that we do have some distortions. We have some farmers who might plow up a valuable crop, an economically valuable crop, that's going to have a low yield, just to protect that farm program yield.

In case of an insurance program like that you may have some cases of adverse selection, and it may backfire very readily because they're trying to collect on that indemnity. Not to say that farmers are ever dishonest, but there have been cases.

Mr. STENHOLM. You bring up a very real point. Mr. Roberts.

Mr. ROBERTS. No questions.

Mr. STENHOLM. Mr. Franklin.

Mr. FRANKLIN. No questions.

Mr. STENHOLM. Then let's go back one more time to the disaster, Dr. Richardson. You suggest a disaster adjustment, yet you seem to criticize the bill for using the harvested acre basis, which you just referred to. I guess my question to you is, would you not agree that using harvested acres is already something of a weather adjustment factor?

Mr. SMITH. It certainly is, and what we were talking about is if you give up the harvested acre component which is now in effect for cotton and rice, it is a weather adjustment factor in itself.

They have two weather adjustment factors in those two crops. Certainly a weather adjustment factor would have to be considered, but then you would bypass the distortion of the signals given to the producer, say, to put in marginal land.

What you have is a program where acreage base is based off of planted acres, but yield is based off of harvested acres. You've got two common denominators—or not common denominators.

Mr. RICHARDSON. Another factor is, your Federal crop insurance is based on the planted acre yield. If we could move everything toward the planted acre yield across crops, it would be more consistent, more reliable in coming up with actuarial values for planted acre yields, and the actuarial values for the premiums being charged on Federal crop insurance.

Mr. STENHOLM. One last question I would like to have all of you respond to: Testimony before the Conservation and Credit Subcommittee yesterday deals with 57 counties in the United States which have had 3 consecutive years of disaster, and the problems there, and we're looking at the potential of this happening in the large part of the United States this year as it did last year. In the establishment of the 1986 yield, we will be going into a program in which you have already experienced that disaster.

Mr. Condra, in your testimony you say, "I strongly urge the committee to consider incorporating a procedure for establishment of the 1986 yields which reflect the productive capacity of the farm." You might go a little bit further into that, and then we'll have comments from others as to how this committee might establish the productive capability of a farm.

Mr. CONDRA. Mr. Chairman, I realize that that is a big order. Certainly there is a tendency to look at a 5-year average and say, "Isn't that the productive capacity of this farm, given weather conditions?" I think that we could either look—and these are simply some ideas that I think need to be researched further—we could perhaps look at a longer historical period, for instance, a 10-year average, if we could get yield data for that long a period, and certainly in some crops that's not available. There may be a way that the county committee, through use of some records in the county, can help. Certainly there are some productive ratings available for soils through the soil conservation service.

I guess I am suggesting that, once we move away from anything that is mechanical as a 5-year average, we are going to have to look very carefully at what the potential problems are, and I don't have a ready answer. I think that we need to look for something for those areas that you have just mentioned.

Mr. DURANDO. I would just comment, Mr. Chairman, that I think I would agree with the previous witness there. If the 5-year yield is inadequate, maybe a 10-year, if that kind of data is available. Perhaps whatever you come up with, something that is objective rather than subjective, based on fact rather than estimates, productive capacities, or this type of thing.

For areas that have had disasters 3 years in a row it is very difficult, because even a 5-year average is, of course, not going to work for them. Somewhere there is going to be a compromise area. We've got disaster areas in the country. We've seen drought conditions and this type of thing.

I guess maybe a question I would raise because I don't have the answer is, where we have these drought conditions or flood conditions, whatever the case may be, are these really more of a long-term effect rather than just a short-run impact? I mean, are we seeing climate changes in these areas or something that, that's the way it used to be 50 years ago and it's coming back to it?

We don't know, perhaps, not to say that they aren't disasters, but these are all the facts we have to look at. Probably the 10-year is the best way you can go if you really want to average out those disasters, if the 5-year won't do it, but I would hesitate to try to project something in the future or, you know, in theory or scientific capability in terms of what productive capacity would be.

Mr. MORABITO. Mr. Chairman, as a farmer perhaps I have a consistent viewpoint, and that is that I have learned to understand in the last 4 years that my proven yields are extremely important to me in the function of my participation in current programs.

I have also felt, as you, that there is an inequity involved at the present level. I have searched myself and discussed this with two county committees—I farm in two counties—and have not been able to come up with what I would consider to be a recommendation, either, to you today to solve this problem. I can say that leaning toward a longer period of time, 10 years, if the right information could be provided would certainly go a long way to assisting us. The one major problem that we encountered—and really, as a producer again, as a farmer here—I can't establish where the original county average yields came from. I can't even really get that information from the ASCS offices.

When asked that question as directly as we are placing it here today, they don't know either. In an area where 100 percent of our farming is irrigated, and I'm sure the distinguished Congressman from Kansas has constituents in the same situation, they assigned to my farm at the beginning of this process a 90-bushel yield. I would submit to you that if I grew 90 bushels of corn over the last 4 years of this farm bill, if that had been the yield off my farms, I wouldn't have been able to afford to have the money to fly out here and talk to you fellows today. That's 30 to 40 bushels below my average for the past 9 or 10 years that I've been farming, but that is the county average, and that is not a true reflection but we don't know where it came from.

So maybe I could make one recommendation to you: Maybe you could find out in the USDA just how they did come up with those numbers in the very beginning. Maybe you know that already. That might give us some insights into how to proceed. Thank you.

Mr. RICHARDSON. Mr. Congressman and the committee, we have done quite a bit of research in this area and our interest is in risk and uncertainty, the impact of risk and uncertainty on farmers' ability to survive. In doing this, we have generally gone to 10 to 12 years of data, as much data as we can on yields.

We can usually find ASCS records, individual farm numbers, for 5 years readily on their harvested acre yields or their planted acre yields, whichever crop we're working on. Getting 10 years of data is quite difficult, but it can be obtained in most county offices.

The problem you have directly, using this data, these 10 observations, say, is the data has a reflection of trends in it which have

incorporated dry land, in our areas the shift from irrigated land to dry land, and in some cases change of varieties, change of managers on those farm numbers, change of ownership on the farm numbers, and also change of prices of the commodity we're looking at in terms of cotton or grain sorghum.

We know that, as we change our prices, farmers are able to put more inputs into that land per acre. As a result, their yields can change up or down. Therefore, I would suggest that you use as long a time period as you can, such as 10 years, but that has to be weighted in there in terms of the effect of technology, prices, and of course farm programs on this particular variable you are looking at in terms of yield. This type of mechanism is most mechanical. It could be set up in terms of the actual yields on a farm, adjusted for the management capacity of the farmer. Our research has shown that as little discretion as possible should be given to the county committee in these matters, because they are subject to political pressures in setting farm program yields.

Mr. STENHOLM. Mr. Roberts.

Mr. ROBERTS. I missed something here. How are you going to establish that program yield, again?

Mr. RICHARDSON. As a researcher, I didn't say, Mr. Roberts.

Mr. ROBERTS. Oh. I thought that was it. Well, Mr. Chairman, I would just make the observation that several years ago this committee tried to address the problem of reform in the old disaster program, and I don't think anybody really objected to that premise, but we went to what is now advertised as that great, all risk Federal crop insurance, and it is a very fine program except it doesn't work in my country.

Other than that it's an excellent program, and that's because the tables simply don't add up in terms of what the farmer has to pay in terms of a premium and then what he gets back, in what we call high risk, or good old hard red winter high risk agriculture country. We don't have any protection, so the farm bill is our protection, see.

That's why we extend the date, so we can take a good look at the crop that we get in or not, and that's our crop insurance, unless of course we have the political clout to convince the Secretary of Agriculture to declare a disaster, in which case if you are going to get frozen out or if you get a hailstorm, or if you get a hurricane to come up as far north as Kansas, you better hope it's a real big one so you can get some protection.

That's one heck of a commentary as to where we are now with USDA policy, but that's the way it is in our country, and I would hate to see us have this bill and this whole effort subject to those kinds of considerations. I think we have raised a very interesting point, and we better get it tied down or my people, at least, will feel totally disenfranchised.

I wish we had the clout that you Texas boys did, Mr. Chairman, when you got that disaster claim down there. We had a total freeze and it didn't do a thing for us, except we had one-third of our crop missing, and the price didn't go up. As a matter of fact, it went down as a result. I never have quite figured that out. I am just making these observations from the standpoint that we do have a problem here and I think we need to address it.

Mr. STENHOLM. Mr. Franklin.

Mr. FRANKLIN. Mr. Chairman, I don't have anything further, except I do want to take the opportunity to thank you and Mr. Roberts for bringing this bill before the committee and to say, as a new member of the committee, to say that this day has been, I guess, as educational a day as I have ever spent, and I appreciate it.

Mr. STENHOLM. I think I can honestly say, as someone who has been around here for almost three terms, it has been a little educational for me, too, and it has been, I think, a productive day.

I think Mr. Roberts summed it up well a moment ago. No use repeating it, except that apparently both today and in the previous 2 days of hearings before this committee, we seem to have a greater amount of consensus in some of the, macroeconomic or macropolicy decisions than I have seen in quite some time. We don't have it yet on the micro, to use is the new high-tech manner of speaking, but I think with the testimony we have heard today and with the expressed willingness of all participants to continue to work with the committee on this particular part of the 1985 farm bill, we may be onto something. Only time will tell.

I, too, thank the participants, the panelists, all who have testified today, both for your testimony and your work today and for your indicated willingness to continue to work with the committee in trying to come up with a bill that will do the things that all of us would like to see done.

We thank you for your time and your efforts. This meeting is adjourned.

[Whereupon, at 4:35 p.m., the committee recessed, to reconvene at the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Statement of
Earl Pryor, President
National Association of Wheat Growers
before the
House Committee on Agriculture
on the
Agriculture Efficiency and Equity Act
May 2, 1984

Mr. Chairman and Members of the Committee:

The National Association of Wheat Growers appreciates this opportunity to present its comments today on the "Agriculture Efficiency and Equity Act." I am Earl Pryor, a wheat farmer from Condon, Oregon and president of the National Association of Wheat Growers.

Since the mid-1970's, the U.S. has produced a yearly average of 2.5 billion bushels of wheat. Considering that acreage reduction programs have been in effect for five of these years, and that many acres have never been planted but are available for wheat production, the production capacity of the U.S. is quite large and certainly well above three billion bushels per year. Even with acreage cutbacks, U.S. production has increased, as have year-end supplies (see Table 1). Exports as a percentage of U.S. wheat production have been declining, and excess stocks have accumulated over the past three seasons.

Four major factors have contributed to this situation: the relative value of the dollar; the world recession and debt load carried by many of our trading partners; world oversupply of wheat and competition. With the prospect that these forces will continue to heavily influence the U.S. wheat outlook, it is important that adjustment programs be as effective as possible, and that farmers have as much knowledge as can be provided about the operation of future programs.

H.R. 4565 lays important groundwork for the design of new farm program authority, and we commend Congressman Stenholm for the effort that went into the development of this proposal. This measure addresses some of the most fundamental defects in current farm programs, and it aims to build predictability into future farm policy.

Mr. Chairman, the 1981 Farm Act has provided alternative mechanisms for the implementation of domestic acreage adjustment programs. The Secretary of Agriculture can operate commodity specific acreage limitation programs with bases determined by acreage planted in the previous year, or the average acreage planted to the commodity in the preceding two years. Or, the Secretary can conduct acreage set-aside programs providing for the diversion of land from a farmer's normal crop acreage base, as a percentage of the amount of land planted to a commodity for harvest. This latter authority was originally included in the 1977 Farm Act, and it was utilized through the 1981 crop season. For 1982 and subsequent crops, the Secretary has elected to implement acreage limitation authority under which cross-compliance requirements between commodity programs are specifically prohibited.

The wheat base for the 1982 season was 90.7 million acres, and a record 2.8 billion bushels of wheat were harvested on 79 million acres. The participation rate in the 15 percent acreage reduction program was 48 percent, and 5.8 million acres were diverted. In 1983, the wheat base grew to 90.9 million acres, and a

crop of 2.4 billion bushels was produced with 73 percent participation in a combination of acreage reduction, cash and payment-in-kind (PIK) land diversion programs. Land diverted under these programs amounted to 28 million acres

The wheat acreage base for the 1984 wheat program is 93.7 million acres, and perhaps 20 million acres will be diverted under a 20 percent acreage reduction, 10 percent paid diversion and 10-20 percent PIK program. Production this year will likely range between 2.4 and 2.6 billion bushels.

These statistics reveal several things. First, we can see that the national wheat acreage base has grown by three million acres, or about three percent since implementation of the 1981 Farm Act. We can also see that it has taken increasingly larger acreage cutbacks, ranging from 15 percent of the farmer's base acres in 1982 to 30 percent in 1984, in an attempt to keep production in line with domestic and export utilization. Moreover, we find that programs for additional acreage diversion must also be offered to gain useful program results.

HR 4565 would establish in permanent law the determination of an overall cropland base derived by using a five-year rolling average of the major program crops grown on a farm, including conservation acreage. It would establish a system of individual commodity bases which would stair-step to arrive at a five-year rolling average by 1991. Farmers could shift up to 25 percent of a commodity base from one year to another, but the total amount of commodity base acreage could not exceed the farm acreage base. Proven yields would be used to establish the farmer's program yield, based on the most recent five-year average with the high and low years dropped-out. Price and income support eligibility would be conditioned on a farmer limiting his planted acreage of major program crops to the farm acreage base. The Secretary, however, could utilize special authority to suspend these limitations.

We believe that the concept in HR 4565 of establishing a farm acreage base using a moving five-year production history has considerable merit. This approach should build stability into annual programs and limit any inflation of base acreage. In doing so, it would also make program terms more predictable for farmers. Giving base credit for land devoted to conserving use is very important and this feature will complement future conservation efforts which must be undertaken. We are unsure of the need for individual commodity bases within the farm acreage base, as the provisions of the bill would seem to reduce the farmer's flexibility in making annual cropping decisions.

Further, the provision requiring a wheat farmer to report to his county ASCS committee any intended change in his crop acreage base by May 1, or 60 days before announcement of an acreage cutback program is totally unworkable. Farmers cannot finalize their cropping plans until they learn the details of the government's commodity program. Forcing them to adjust their bases prior to the program announcement is like asking someone to commit himself to a game plan before he has been told where the goal posts are. Also, we note that the legislation does not deal with the matter of establishing bases for farmers who are able to plant and harvest two crops off of the same land in a season. Any workable base structure will have to deal with double-cropping practices.

Provisions in HR 4565 for the determination of program yield warrant further study on our part. The concept of omitting the high and low years of production history in arriving at a five-year average proven yield would appear to run counter to current production trends, thus delaying the appearance of farm efficiencies and management improvements in a grower's program yield. Also, not all farmers may want to prove their yield.

In summary, HR 4565 makes important progress towards eliminating fundamental problems in the operation and administration of farm programs. It represents a necessary first step in structuring new farm legislation, and we look forward to working with the Committee towards this end.

I will be pleased to respond to your questions at the appropriate time. Thank you.

(Attachments follow:)



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April 18, 1984

Honorable Robert B. Keating
 Bureau of Economic and Business Affairs
 Room 3535
 Department of State
 Washington, D.C. 20520

Dear Mr. Ambassador:

We have prepared the following paper in response to our meeting with you and from the indication that new initiatives to increase U.S. wheat exports would be favorably received under the study being conducted. At the present time, it is urgent that a serious look be taken at any initiatives that hold some potential for increased U.S. wheat exports. While it is important that increased PL-480 and GSM-102 be provided, it appears that progress is being made on this front. As a result, our recommendations are keyed toward the longer-term goal of increasing U.S. wheat exports, bringing about a better supply/demand balance and ultimately yielding better prices to our producers.

Our recommendations are based on a careful analysis of the issues, both in the U.S. and overseas, and an understanding of what has been going on in the grain market in recent years. We hope that the suggestions will prove useful, and we are prepared to provide additional information if needed.

Sincerely,

Winston Wilson
 President
 U.S. Wheat Associates

Carl Schwensen
 Executive Vice President
 National Association of
 Wheat Growers

Enclosure

THE UNITED STATES - A MAJOR WHEAT PRODUCER AND EXPORTER

Since the mid-1970's, the United States has produced a yearly average of 2.5 billion bushels of wheat. Considering that acreage reduction programs have been in effect for five of these years, and many acres have never been planted but are available for wheat production, the production capacity of the U.S. is quite large and certainly well above three billion bushels per year. Even with acreage reduction programs, U.S. production has increased, as have year-end supplies (see Table 1). At the same time, excess stocks have been building over the last three seasons, and exports as a percentage of U.S. wheat production have been declining.

WORLD WHEAT TRADE AND THE ROLE OF THE UNITED STATES

World wheat trade has stagnated the past four years at about 100 million metric tons (mmt) per year. While the overall level of wheat trade has remained approximately the same, the world market share held by the U.S. has declined from 48 percent in 1981-82 to 38 percent in 1983-84. Historically, the United States should range between the 42 and 47 percent level. At current export levels, America is losing a minimum of four to seven mmt (150 to 250 million bushels) of exports per year.

REASONS FOR DECREASED U.S. WHEAT SALES

Four major factors contribute to this decline in U.S. market share: the relative value of the dollar; the world recession and debt load carried by many of our trading partners; world oversupply of wheat; and competition.

The U.S. dollar has appreciated considerably over the past several years. Since the fourth quarter of 1980, the dollar buys approximately 40 percent more German marks, 59 percent more British pounds, 83 percent more francs, and 13 percent more yen. The rise against other currencies, such as those of developing nations, has been even greater.

It is estimated that the rise in the value of the dollar in 1982 alone cost the U.S. \$3 billion in lost agricultural exports and added another 20 million tons to our year-end grain stocks. One study has shown that a 20 percent rise in the dollar causes a drop of 16 percent in farm exports.

The dollar appreciation creates special problems in those countries which have the greatest potential for long-term U.S. export potential--the less developed countries (LDC's).

These nations react to a price increase to a greater degree than more developed nations. In addition, many of these nations carry heavy debt loads, valued in U.S. dollars.

Many LDC's have reduced imports in order to conserve funds for debt servicing, while at the same time increasing exports in order to gain hard currencies. This heavy debt load, and the current world recession, have placed these nations in a short cash flow situation. Thus it is not surprising to find that since 1981 wheat production in developing countries has increased 7.7 percent overall, and 12.4 percent in those with low incomes. At the same time, LDC's have decreased their imports from the U.S. by over 14 percent.

Expanded production in LDC's, years of excellent weather in many parts of the world's wheat growing regions, and increased government production incentives by other nations have caused world wheat availability to increase substantially. Tables 2, 3, 4 and 5 provide a review of foreign production and disappearance. It is important to remember that the U.S. is the only major wheat growing nation that has implemented production controls and has held excess stocks off the market.

COMPETITION

With increased production by our competitors, their reluctance to maintain reserves, and world wheat trade stabilizing, competition between the major exporters (United States, Canada, EEC, Australia, and Argentina) has become fierce. Unfortunately, the statistics show that the United States is losing in this competition.

Argentina is suffering financial problems and has a simple but effective means of selling all the wheat it produces. Argentina simply cuts the price and consistently sells below the export price of all other competitors.

Canada and Australia offer incentives for buyers. They not only provide credit to buyers but they also cut prices. At times, Australia will offer bonuses. That is, for every so many tons purchased, an additional ton will be provided free of charge. Both countries also offer other inducements, such as providing the money and expertise to build storage and handling facilities for a nation as a part of the selling package. Both countries have also engaged in the practice of selling lower-priced "feed wheat" which is and has been used, as milling wheat.

The EC also has an effective means of advancing wheat sales. The government simply subsidizes the export price and sometimes the shipping cost as well.

It is well to remember that each of our competitors uses a government marketing agency for the selling of their grain overseas. The U.S. still relies on an open market.

It has been suggested that the United States lower its loan in order to meet the competition and force domestic and overseas

adjustments. This has several major pitfalls. First and foremost is that the U.S. sets the world price through open market transactions. The U.S. price is the world price. A lower U.S. price only means that other nations will follow the price decline and the U.S. will not gain any market share. The result would be a substantial reduction in the value of U.S. sales, and therefore, a decline in export earnings.

Secondly, anything less than a drastic cut in the U.S. loan price can be more than offset by the relative value increase in the dollar. A lower loan but a strong dollar continues to translate into a higher realized price to the foreign consumer, and stonger earnings for the foreign competitor.

It has been argued that a lower loan will cut world production. Such action is unlikely in the near term. Wheat production is "institutionalized" in many nations, and lower prices will not force farmers into other crops unless the price disparity between crops (or livestock production) becomes quite large. Also, many countries encourage, through domestic policies, a trend toward self sufficiency or endeavor to push production to the extent of their export capacity. A lower U.S. loan would do nothing to offset these policies.

Any new U.S. export assistance programs must be accompanied by a commitment to use these tools to counter our competitors and increase our market share. We must not be intimidated by competitors who now employ special arrangements to capture sales and erode the U.S.'s position in world wheat trade. Programs accompanied by timidity will not yield beneficial results.

It is evident that the U.S. has entered a period of surplus stock accumulation, much of which will be acquired by USDA's Commodity Credit Corporation through farmer loan forfeitures. These excess stocks will cause the government to incur long-term costs, unless they are effectively used to improve our export performance. Government ownership of wheat can reasonably be expected to mushroom from today's 210 million bushel level to as much as 1.1 billion bushels by the end of the 1986 season. Logic demands that action be taken now to forestall a new generation of government inventories which could mirror those of the 1960's. Farmers, domestic and foreign consumers, and the U.S. government will benefit from such actions.

INITIATIVES TO INCREASE U.S. WHEAT EXPORTS

The prospect is that sharp competition over wheat sales will continue among the wheat exporting countries in the next few years. The goal of U.S. wheat export policy should be to recapture a larger share of the market and also rekindle some expansion in world wheat trade (see Table 6).

U.S. wheat producers have over thirty-five years experience in developing and expanding export markets around the world. Under

today's intense competition and with government treasuries committed to the promotion of wheat exports in the other wheat exporting nations, we feel that it is urgent that a major effort be made. Our experience also indicates that these recommendations deal with the problems and merit careful review by U.S. policymakers.

EXPORT ENHANCEMENT

Our policymakers need to face the fact that our competitors do engage in price-cutting practices in spite of what they may be willing to say officially. To counter the price-cutting practices that Canada, Australia, Argentina and the EC regularly employ, we recommend the establishment of an export enhancement program designed to use government-owned wheat stocks to facilitate commercial sales by combining "bonus" bushels with regular purchases. This program would utilize excess U.S. stocks to respond to the various practices now used by our competitors to grab an increased market share. Such a program also has obvious market development implications, as it would enable the U.S. to use its surplus to assist importers during a period of economic recession. The pay-off would be both immediate, in terms of additional sales, and long-term in as much as satisfied customers would turn to the U.S. for regular commercial purchases as economic conditions improved.

A mechanism would need to be established to insure that the benefits of this program are fully passed on to the buyer. CCC-owned wheat available for this program might actually reach 370-420 million bushels over the next four to six months. This proposal should be carried out with the Secretary of Agriculture given flexibility in setting the bonus level.

Our policymakers also need to be aware that any program of this sort will bring whippers from our competitors. If our government does not have the stomach to stick with such a program for a reasonable period of time and give it a fair trial, then it would be best not to try it at all.

IMPROVED EXPORT CREDIT

Another major step needed to increase wheat exports is an improved export credit program. We need to be able to offer increased amounts, longer repayment terms for selected countries and improved timeliness in setting up country programs.

We are now essentially limited to two credit programs: PL-480 and GSM-102. The blended credit program has largely been emasculated by the State Department and the Office of the U.S. Trade Representative. The PL-480 program is very concessional but a bureaucratic morass with too many Departments and agencies involved in programming. The 50 percent cargo preference requirement is one well-

documented problem that appears almost impossible to solve. Another less well-publicized problem is the uneven and inconsistent self-help requirements placed on PL-480 Title I recipients. Some countries, such as Jamaica, are expected to make major commitments on what they will do, while with other recipients the self-help requirement is of little meaning. This provision gives the bureaucrats another opportunity to tie up the program and minimize its effectiveness as a market development and food relief tool.

In this regard, the existence of the four million ton food security reserve should not be overlooked. Current law provides that 300,000 tons of this reserve supply can be used annually for emergency relief, although this authority has not been exercised since the establishment of the reserve. Certainly, Congress intended this provision to be utilized, and conditions have and currently do exist which justify the use of this assistance authority.

The GSM-102 credit program--which is a U.S. Government guarantee of private commercial loans--has expanded rapidly the last two years in response to the world recession and the price-cutting practices of our competitors. At the start of FY 84, USDA requested \$9 billion in GSM-102, based on a careful world-wide analysis of needs. This request was nearly double the FY 83 level of \$4.8 billion. The starting figure in the budget for FY 84 was \$3 billion, which OMB later reluctantly raised to \$4 billion, and recent legislation has increased to \$4.5 billion. The level of the program not only needs to be raised, but the flexibility also needs to be increased so that loans can be offered on a more timely basis. Sales have been lost this last year because of OMB's foot-dragging in raising the program levels. Our competitors have not been bashful about moving in with credit to capture sales that we could have won.

A new initiative that would be helpful in dealing with the timeliness problem would be to establish the GSM-102 on a revolving basis. This could be viewed as a line of credit that a country could count on over several years. However, the level of the program would still need to be increased above the current level or the value of the revolving aspect would be minimal.

A further critical need is to establish an intermediate credit program for commodity sales and the establishment/improvement of facilities for long-term market expansion. Intermediate credit terms of 7-10 years would be extremely useful for countries such as Brazil and Peru that are struggling with heavy debt loads and where the three-year repayment under GSM-102 is inadequate. This program would be a useful bridge between PL-480 and GSM-102, and it would also offer a graduation step for some PL-480 recipients as their economies improve. Intermediate credit to build or improve facilities would offer the opportunity of increasing long-term market opportunities and also counter similar activities by Australia in Egypt and Canada in Brazil. In 1982, AID agreed to assist Egypt in enlarging its port facilities at Safage on the Red Sea. Unfortunately, this activity was

more attuned to Australia's export interests in Egypt than those of the United States.

One other proposal that has been advanced to promote exports is to offer tax credits to suppliers or banks to lower the effective interest rate that can be offered on export sales. This is an idea that appears similar to assistance offered by the Japanese government to its companies, but while U.S. banks might respond to this initiative, grain exporting companies are normally not willing to go much beyond 60 days in providing credits. This is an idea that has merit and should be studied, but it is not in shape at this point to serve as a substitute for other programs or offer substantial hope for market expansion.

CONCLUSION

In conclusion, we have advanced several ideas that merit careful consideration, and we also have made suggestions regarding procedures that would improve wheat export sale prospects. After programs and procedures are established, we suggest that USDA be established as the lead agency in agricultural exports. By lodging the operation of these programs in USDA, and streamlining procedures with other interested Departments, exporters and importing countries would be assured of a more efficient and timely response. To have too many Departments involved in the process, as at present, slows down clearances and results in other objectives diluting the usefulness of the programs. One lesson that should have been learned from the experience of recent years is that export sales do best when not saddled with a host of other political and diplomatic objectives. The best conceived programs can fail when loaded with other extraneous baggage. Our policymakers need to begin by honestly answering the question as to how dedicated they are about expanding markets and at the same time using this vital resource in addressing world hunger.

TABLE 1

U.S. wheat: supply and use, 1930/31-1983/84 1/

Year	Planted Acres	Harvested Acres	Yield (bu./ac.)	Production (mil. bu.)	Supply	Domestic Use	Exports Carryover	Share of Production (percent)	Share of World Trade (percent)	U.S. share of World Trade
1930/31	67,339	65,637	14.2	887	1,178	731	115	312	13	809
1940/41	61,820	53,273	15.3	815	1,039	680	34	385	4	479
1950/51	71,287	61,607	16.3	1,019	1,336	690	345	492	34	892
1960/61	54,506	51,879	26.1	1,355	2,747	591	634	1,302	48	1,349
1970/71	48,739	43,544	31.0	1,352	2,336	772	741	823	55	2,021
1975/76	74,988	69,499	30.6	2,127	2,564	726	1,173	666	55	2,431
1980/81	80,637	76,994	33.4	2,574	3,279	776	1,514	989	64	3,438
1981/82	80,938	81,013	34.5	2,799	3,791	856	1,771	1,164	63	3,728
1982/83	87,437	78,981	35.6	2,812	3,983	931	1,509	1,543	54	3,608
1983/84	76,817	61,482	39.4	2,425	3,949	1,180	1,400	1,389	58	3,728

1/ U.S. data are on July/June years for 1930/31 and 1940/41. Other data are on June/July years. World trade data are July/June world exports. Data for 1983/84 as of January 24, 1984.

Foreign wheat: production and exports, 1930/31-1983/84

TABLE 2

Year	Harvested Acres (mil.)	Yield (bu./ac.)	Production (---bil. bu.---	Exports
1930/31	328	14.3	4.7	0.7
1940/41	348	14.9	5.2	0.4
1950/51	355	14.9	5.3	0.5
1960/61	448	16.5	7.4	0.9
1970/71	468	21.8	10.2	1.3
1980/81	514	27.0	13.9	1.9
1981/82	513	26.7	13.7	1.9
1982/83	513	29.0	14.9	2.1
1983/84	500	31.0	15.5	2.3

1/ Area, yield, and production data for 1930/31 are an average of 1930-34. Exports are on a July/June year. Yield is production divided by harvested acres.

TABLE 3

Argentina, Australia, and Canada: Wheat production and exports, 1930/31-1983/84¹

Year	Harvested Acres (mil.)	Yield (bu./ac.)	Production (---mil. bu. ---)	Net Exports
1930/31	58.6	13.3	778	492
1940/41	56.6	16.3	922	310
1950/51	51.6	16.6	859	451
1960/61	46.9	20.0	938	597
1970/71	37.6	21.3	802	834
1980/81	67.7	20.5	1,389	1,158
1981/82	74.6	24.4	1,817	1,207
1982/83	77.6	23.8	1,844	1,351
1983/84	82.0	26.5	2,172	1,499

1/ Data for 1930/31 are 1930/31-1934/35 averages. Exports are on a July/June year. Yield is production divided by harvested area. Data for 1983/84 are forecasts.

TABLE 4

European Community (EC-10): Wheat production and exports, 1930/31-1983/84¹

Year	HARVESTED		Production (— mil. bu. —)	NET Exports
	Acres (mil.)	Yield (bu./ac.)		
1930/31	34.9	24.0	838	2/
1940/41	34.3	24.4	837	2/
1950/51	31.7	26.8	848	2/
1960/61	31.8	34.3	1,091	-327
1970/71	29.4	45.8	1,347	-225
1980/81	31.1	65.1	2,024	+383
1981/82	31.2	64.0	1,998	+448
1982/83	32.1	68.4	2,197	+406
1983/84	32.5	67.1	2,180	+385

1/ Data for 1930/31 are 1930/31-1934/35 averages. Some country data for 1940 were missing, so 1939/40 data were substituted. Yield is production divided by harvested area. Exports are on a July/June year and a negative figure indicates net imports. Data for 1983/84 are forecasts.

2/ Not available.

WORLD WHEAT AND WHEAT FLOUR AND TABLE
GRAIN/MEAL YEARS 1970/71 - 1981/82
100 MILLIONS OF METRIC TONS*

TABLE 5

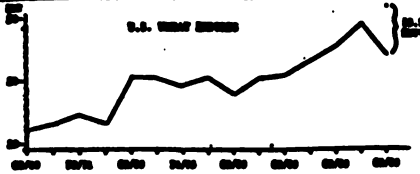
	1970/71	1981/82	1982/83	1983/84	1984/85
EXPORTS 2)					
Canada	20.0	27.0	27.0	21.2	21.0
Australia	20.0	20.0	22.0	8.1	21.0
Argentina	0.0	2.0	0.0	7.4	0.0
Subtotal	40.0	49.0	49.0	36.7	42.0
EC-10	12.4	24.7	15.5	15.5	16.5
USA	0.2	0.5	0.5	0.5	0.5
Others	3.2	0.5	3.5	0.5	4.5
TOTAL NON-US	15.8	25.7	19.5	16.5	21.5
U.S. 3)	24.2	23.3	29.5	20.2	20.5
WORLD TOTAL	39.2	49.0	49.0	56.9	62.5
IMPORTS					
EC-10	0.0	0.0	0.7	0.7	0.0
USA	22.1	26.0	19.0	22.2	20.0
Japan	0.0	0.0	0.0	0.0	0.0
East Europe	0.0	0.0	0.0	0.0	0.0
China	0.0	20.0	22.0	22.0	22.0
Others	0.0	0.0	0.0	0.0	0.0
WORLD TOTAL	22.1	46.0	39.7	44.9	42.0
PRODUCTION 5)					
Canada	17.2	20.2	20.0	20.0	20.0
Australia	20.2	20.0	20.0	20.0	20.0
Argentina	0.0	2.0	0.0	0.0	0.0
EC-10	40.0	20.1	24.0	20.0	21.7
USA 6)	20.2	20.2	20.0	20.0	20.0
East Europe	27.0	24.0	20.0	20.0	20.0
China	0.0	20.0	20.0	20.0	20.0
India	20.0	20.0	20.0	20.0	20.0
Others	20.0	20.0	20.0	20.0	20.0
TOTAL NON-US	135.6	176.5	174.0	170.0	171.7
U.S.	20.2	20.0	20.0	20.0	20.0
WORLD TOTAL	155.8	196.5	194.0	190.0	191.7
UTILIZATION 7)					
U.S.	21.0	21.1	21.0	20.4	20.1
USA 8)	120.0	120.7	120.0	120.0	120.0
China	70.0	60.0	70.0	70.0	70.0
Others	23.0	20.0	20.0	20.0	20.0
TOTAL NON-US	213.0	221.8	211.0	210.4	210.1
WORLD TOTAL	234.0	241.9	232.0	230.4	230.1
END STOCKS 9)					
TOTAL FOREIGN 9)	0.0	0.0	0.0	0.0	0.0
USA: STKS CHG	-10.0	-0.0	-0.0	0.0	0.0
U.S.	10.0	0.0	0.0	0.0	0.0
WORLD TOTAL	0.0	0.0	0.0	0.0	0.0

*NOTE: FOOTNOTES 1 THROUGH 9 APPEAR ON LAST PAGE OF CIRCULAR.

SOURCES: PREPARED OR ESTIMATED ON THE BASIS OF OFFICIAL STATISTICS OF FOREIGN GOVERNMENTS, OTHER
ORIGIN SOURCE MATERIALS, REPORTS OF U.S. AGRICULTURAL ATTACHES AND FOREIGN SERVICE OFFICERS,
RESULTS OF OFFICE RESEARCH, AND RELATED INFORMATION.

TABLE 6

ANALYSIS OF WHEAT COMPONENT



Obtained additional amount of U.S. wheat that could have been exported if subsidized EC imports had not risen and if U.S. wheat had been sufficiently competitive to keep growth of major competitors' exports from exceeding the long-term trend

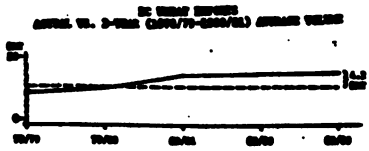
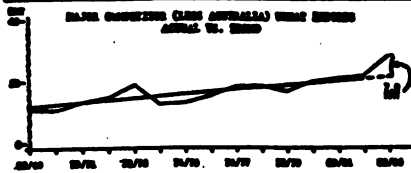
WHEAT SUMMARY

1978/79
MMT

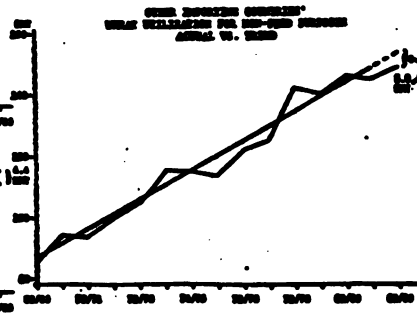
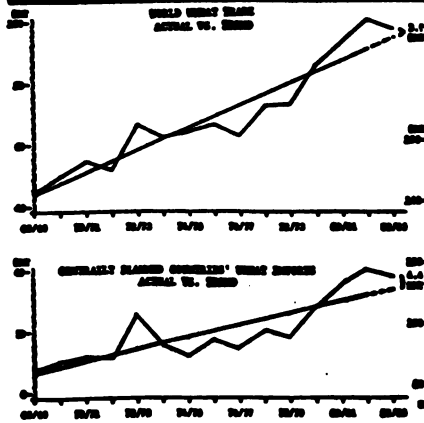
Total U.S. Export Loss, All 13.1
Due To Competitive Factors 1/
Of Which:
Increased Subsidized EC 4.3
Exports 2/
Above-Trend Exports by Major 7.0
Competitors (Less Amer.) 2/
Other Factors; Residual 1.9

- 1/ Relative to 1970/71-1980/81 ave. share
- 2/ Relative to 1970/71-1980/81 ave. volume
- 3/ Relative to 14-year trend

ANALYSIS OF COMPETITIVE FACTORS FOR WHEAT



ANALYSIS OF MARKET GROWTH FACTOR FOR WHEAT



STATEMENT OF LARRY D. MEYERS, VICE PRESIDENT FOR
LEGISLATIVE AFFAIRS, THE FERTILIZER INSTITUTE

MR. CHAIRMAN and members of the committee, The Fertilizer Institute appreciates this opportunity to present its comments today on the Agricultural Efficiency and Equity Act. On behalf of our membership, we support H.R. 4565, because we believe it provides solid groundwork for bringing a more business-like approach to American farm policy.

By way of background, The Fertilizer Institute is a voluntary, non-profit association whose members represent approximately 95 percent of the domestic fertilizer production in the United States. The Institute represents approximately 300 members including producers, manufacturers, traders, retail dealers and distributors of fertilizer materials. Its members are major shippers, receivers, and exporters of fertilizer and fertilizer materials, and a vital link in America's agricultural food chain.

Further, Mr. Chairman, The Fertilizer Institute celebrated its 100 year anniversary last year. And, in that same year, the Institute's Board of Directors made the decision to become more involved in agricultural policy development. We intend to translate that decision into a responsible, positive role -- one which recognizes our duty as an agricultural support industry. We hope to help our farm customers achieve the sort of agricultural policy they want and need from the Congress.

We support H. R. 4565 because it takes a fundamental step toward bringing more predictability into future farm policy. Fertilizer use on a per-acre basis has been almost flat for the last five years. Thus, the number of planted acres becomes vitally important to the fertilizer industry in estimating the amount of fertilizer required by our customers each year. To do this, our industry must have advance knowledge of the intended number of those planted acres. By its very nature, agriculture is an unpredictable business, and our industry faces a constant challenge -- and balancing act -- between supplying needed crop nutrients without delay, and avoiding an overproduction situation that depresses the industry. Mr. Chairman, it takes months to move: nitrogen from the southern gas belt; phosphates from the Florida mines, and potash from the Canadian and New Mexico mines, into farmers' hands. It takes years of advanced planning to open new mines or to develop new production plants. It takes time for the collection and analysis of soil samples, so that in turn fertilizer dealers and bulk blenders can mix the proper plant nutrients to fit exactly into a farmer's needs and yield goals. These fundamental time requirements have repeatedly brought the fertilizer industry before Congress, asking for more timely announcements of farm programs. The industry's capital investments, and its position as a major employer, are evidence of its commitment to continue supplying American farmers with this essential crop input -- and our goal to help ensure that those farmers can continue to count on us for a dependable supply. Stability and predictability in farm policy are the keys to achieving such a goal.

Mr. Chairman, in 1983 most of our fertilizer material was moved into place, and frankly much of it was moved on credit within our industry, before the January 11 PIK announcement. That announcement and, in particular, the decision to take whole base bids, was terribly expensive to support industries like the fertilizer industry. It is estimated that the PIK program cost the fertilizer industry over \$1 billion, and the impact was spread all across the industry from the local retailer to the basic producer.

Mr. Chairman, it may come as a surprise to some that the fertilizer industry would support a bill like the one in question today which could offer a framework toward production controls, particularly when it is known that fertilizer use per acre has been flat for the last several years. But, our industry realizes that there is no profit in fertilizer unless there is profit in farming. That is the reason the fertilizer industry can support some type of consistent production controls in the near term. We would hope that this type of program would be on a short-term basis, and that food and fiber demand can be stimulated through various export programs so that we can return eventually to the point of maximum farm production. It is this efficiency of scale and lower per-unit cost of production that we see as being the most successful policy for the American farmer. But we also realize that overproduction, a fact with our basic farm commodities, results in very low profits, (or no profit at all for many farmers) and this is having a serious impact both on farmers and their various support industries.

In approaching this problem, we know we cannot live through another dramatic last-ditch reduction decision like PIX. It is far better to have a predictable, consistent supply management program that can lead us carefully, in a business-like way, out of the current over-supply situation. This bill, H.R. 4565, appears to be the beginning of this business-like approach to current farm problems -- and we welcome and support Congressman Stenholm's initiative. We have not commented today on the specifics of the legislation, preferring rather that the affected farm groups consider the specifics and we in turn will add our voice those who seek the consistency we hope to achieve. However, we do know that the issue of base acres remains a point of confusion each year for both farmers and the support industries. H.R. 4565 would appear to make important progress toward eliminating this fundamental problem and, thus, bring a more predictable -- and indeed a more business-like approach -- to farm programs.

Thank you, Mr. Chairman.

STATEMENT OF
TEXAS ASSOCIATION OF COTTON PRODUCER ORGANIZATIONS
AND
PLAINS COTTON GROWERS, INC.
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE CONCERNING H.R. 4565
THE AG EFFICIENCY AND EQUITY ACT
May 2, 1984

Mr. Chairman, as is indicated in the heading of the written remarks filed with the Committee, I am appearing today in a dual capacity -- as Chairman of the Board of Plains Cotton Growers, Inc., Lubbock, and also as Board Chairman of the Texas Association of Cotton Producer Organizations, which we call TACPO. My statement for PCG represents the views of about 15,000 Texas High Plains cotton producers who grow about half the cotton in Texas and about one-fifth of the cotton grown in the United States. TACPO is an organization of all eight cotton producer organizations in our state and those organizations represent all cotton-producing regions of Texas.

Speaking for both PCG and TACPO, I first want to commend Mr. Stenholm and the Committee for the effort being made to better the lot of all agriculture by stabilizing and equalizing, and thereby improving, the system used to establish acreage bases and program yields. And I might add that considering the complexity of the task, it is a courageous effort indeed.

Neither the TACPO board nor our own board at PCG has had the opportunity to develop specific recommendations concerning H.R. 4565, but I feel safe in saying that all eight of our groups are in general agreement with the bill's intent, and we expect to continue studying it and working with Mr. Stenholm and others to the end that it can be enacted in a form that will serve our mutual interests in the best possible way.

At PCG, we do however have about six concerns about the bill and the effect it might have on cotton producers if enacted as now written.

I want to make clear at this point that the concerns I mention, come from PCG and only from PCG. They have not been discussed with the full TACPO group and for that reason are not to be construed as TACPO thinking.

Even at PCG, as I said before, we have not had the opportunity for full board discussion of the bill's specifics, and consequently I am not at liberty to propose solutions. But I will list the areas where we think there may be problems in the bill as we understand it.

1. There appears to be no provision for protecting a producer's future base acreage of a program crop when he voluntarily reduces planted acreage of that crop. This could happen for a number of reasons, including good market prospects for a non-program crop such as vegetables or soybeans, or the advent of another PIK program, including one which encouraged whole-farm participation.

2. The procedure provided for establishing program crop yields in the first year, 1986, we think leaves room for a great deal of improvement. Not only on the High Plains but in several other areas of the Belt as well, severe weather over the past five years has caused average yields and 1984 program yields to fall far below the land's true productive capacity. ASCS yield-setting procedures have made the situation worse by changing -- from a 90% floor on yields through 1980 to no floor in 1981, back to 90% in 1982 and only 80% in 1983. These two things -- an unusual series of bad crop years and vacillating ASCS procedures -- have gotten our yields so low that we have trouble supporting a program to begin in 1986 which doesn't provide a means for some yield adjustments. Perhaps this could be done through ASCS county committee assessment of each farm's innate capacity to produce under normal conditions.

3. Also related to yields, the bill's 10% maximum on annual decreases and increases in program yields could prove hard for us to live with. With a 10% cap on any one year's increase it would be a long and painful process to build a farm's yield back to normal after several bad crop years. Although we have not discussed a firm figure, as a starting point we think a 10% maximum reduction and 30% maximum increase would be much more workable.

4. It also appears to us, Mr. Chairman, that it will be difficult to generate broad support for H. R. 4565 unless some provision is made for double cropping, which is a common practice in some areas.

5. While we would like having the option to alter crop acreage bases by as much as 25% for any given year, we have doubts about the producer's ability to use that option effectively because of the stipulation that our decision must be made two months before the program is announced. For cotton that means we would have to decide in October of one year whether we wanted to adjust our cotton base for the next year. And I suggest that rarely if ever will we be in a position to do that.

6. Finally, Mr. Chairman, we have some concern about the Secretary of Agriculture being given too much authority. Section 105(c), which would allow the Secretary to suspend all FAB and CAB limitations under certain conditions, is an example. We'd like to see some consideration given to restricting that authority, perhaps leaving the extent of the Secretary's authority to be decided by the Congress in the passage of general farm legislation.

Testimony of
Irvin J. Elkin, President
Associated Milk Producers, Inc.

My name is Irvin J. Elkin. I am a dairy farmer from Amery, Wisconsin, which is located in the northwestern part of the state. Along with my family, I milk about 40 Holstein cows and farm 200 acres of corn, alfalfa and small grains.

I am also the President of Associated Milk Producers, Inc., the nation's largest dairy farmer cooperative with over 31,000 members located in 20 states throughout the midwest, south and southwest, who produce about 12 percent of the nation's milk supply.

Today, I'd like to emphasize my concern for agriculture in the aggregate. Dairy farmers recognize that their economic well-being is linked directly and substantially to the conditions of producers of other commodities. Stability in the dairy sector is impossible unless agriculture as a whole is healthy.

We want to stress that in constructing the 1985 Farm Bill, a key strategy must be to develop the most unified position possible among the various sectors of agriculture. The experience of the 1981 Farm Bill provides an all-too vivid reminder of the consequences of a splintered farm bloc.

That's why forums like these are so important, enabling the various segments of agriculture to join together to learn from one another and better understand each other's perspectives. This is a critical step forward in identifying consensus positions.

Needless to say, there are many danger signals in the current economic situation, and corrective measures must be taken soon if this nation's food and fiber system is to remain strong.

Discussion of the 1985 Farm Bill provides an excellent place to focus this dialogue.

AMPI feels that constructive government involvement is a necessity in modern agriculture. When it comes to this subject, the question is not "should government be involved" but "when and how." Farmer and consumer interest make responsible government involvement in agriculture a reality -- not a choice -- in our complex economy and world markets.

U.S. agriculture's basic problem can be simply defined: Farmers are overproducing foreign and domestic market demand. We have too much of virtually all commodities.

AMPI members believe effective supply-management is essential to the recovery of the farm economy. While we do not feel it is proper for us to prescribe specific stabilization measures for other commodities, we are vitally concerned that future public policy equitably tailor total agricultural output to more even match market demand both foreign and domestic.

The Administration's implementation of the "Payment-In-Kind" (PIK) program was a tacit admission that its previously advocated free-market position could not satisfactorily correct crop surpluses. Farmers and agribusinessmen were already on the ropes, and the alternative to PIK was to watch commodity prices go still lower to eliminate producers and clear the market of surplus -- a painful and foolish path.

Farmers responded enthusiastically to the PIK program, proving that the "supply-management with an incentive to reduce production" approach works. But after the PIK program and wide-spread drought helped moderate crop surpluses in 1983, agriculture seems poised for disastrous fence-row to fence-row planting and record or near-record planted acreage and yields in both 1984 and 1985. Crop farmers, once again, lack adequate incentives to reduce production, a situation that aggravates milk surpluses in the long run.

To be effective, supply-management programs must be taken seriously. Total agricultural output must be addressed. Such programs should intergrate provisions that avoid driving producers of a particular commodity into the production of another. This should involve better coordination between all commodities in the administration of supply-management measures.

Safeguards against expansion are an integral part of the new Milk Diversion Program. Participants in the diversion program are restricted to selling their dairy cattle for slaughter, export or to another dairy farmer in the program. Additionally, contracting producers cannot make idle milk production facilities available to other milk producers.

The new Milk Diversion Program is providing tangible evidence that supply-management can constructively address surpluses. Positive results are already visible in its few months:

* February milk production was two percent, and March milk production three percent, below year earlier levels -- the first declines after 57 months of consecutive increases.

* CCC purchases for January, February and March of 1984 were down four, 25 and 42 percent respectively from the same months a year earlier.

* Reductions in milk production and CCC purchases should become much more dramatic as the year proceeds since diversion participants only had to comply with 50 percent of their total contracted amount in the first quarter of the program.

It needs to be emphasized -- particularly to the news media, urban audiences, Congress and the Administration -- that dairy farmers themselves are financing some 95 percent of the total cost of diversion payments.

As to the specifics of the Milk Diversion Program, dairy farmers were given the choice of selecting from two 15-month marketing history periods: Either the amount of milk marketed during calendar year 1982 or the average annual marketings for calendar years 1981 and 1982 -- with the months of January, February and March counted twice in all instances. We felt it was important that this type of flexibility be offered to provide for producers who might have encountered unusual circumstances.

The 15-month period for the diversion program represented a compromise. AMPI, along with most other dairy cooperatives, advocated that a 24-month period could accomplish the greatest

reductions in milk productions. Others pushed for a 12-month period. The 15-month period was finally accepted by both sides.

AMPI believes that once stability returns to the rest of agriculture, the dairy provisions of the 1949 Agricultural Adjustment Act that have served farmers and consumers so effectively, can be operated without much change. But until then, supply-management measures are necessary.

In March, we held our 15th Annual Meeting in Minneapolis, Minn. culminating a year-long grassroots policy-making process. Delegates passed a resolution emphasizing the continuing need for supply-management and providing dairy farm families with strong, individual incentives to reduce milk production when government purchases exceed a specified reasonable level. A key element would be permanent stand-by legislation activating a supply-management mechanism in periods of surplus production.

A similar concept of a supply-management "trigger" is featured in the feed grains, rice and cotton provisions of the recently enacted "Agricultural Programs Adjustment Act of 1984" which activate supply-management measures at specified levels of carryover stocks.

In upcoming weeks, AMPI will be pursuing broad-based industry support for a strong supply-management position. We recognize that it is essential that we present a program capable of gaining dairy farmer consensus.

In closing, let us say that a key objective for dairy and all farmers must be more permanent policy to replace the piece-meal, emergency quick fixes that have characterized recent years. We cannot afford to keep addressing agriculture on a crisis-to-crisis basis. A more stable and longer-term approach is needed that will allow farmers to plan for the future with certainty.

We look forward to the development of sound provisions for the 1985 Farm Bill that will benefit taxpayers, consumers and farmers alike. By working together in an environment of mutual respect and concern, we can be successful.

Thank you.

TESTIMONY FOR
DAVID SENTER, NATIONAL DIRECTOR
AMERICAN AGRICULTURE MOVEMENT, INC.

Mr. Chairman and members of the committee I want to thank you and your staff, and also Mr. Stenholm, for the continuing work on legislative proposals for the new Farm Bill.

I am David Senter, National Director for the American Agriculture Movement, Inc. Our organization fully supports the effort to pass as much as possible into permanent law. Yields and base provisions are two items that should be long range. As I travel across the country, producers are looking for stability from year to year instead of huge swings in policies.

We suggest that all USDA agencies use ASCS yields. At the present time, FAMA, Federal Crops Insurance and ASCS all figure their own yields. Many farms now have 3 different yields. What we are talking about is consistency.

We very much support the concept that allows producers to make predetermined shifts between commodities. Producers need the ability to adjust their operations to meet changing circumstances. Many producers fail to comply because they feel the program will probably change anyway.

We, of the AAM, feel that all major commodities should be supported equally to prevent farmers switching from one crop to the other, therefore, avoiding expensive machinery outlays and the problem of over production in certain areas, thus depressing prices. Over the years, there have been ratios established between certain crops at which we will not have this switching

from crop to crop due to prices. It should be noted that this would tend to stabilize both domestic and world production. These ratios are as follows:

beans to corn	-	2½ to 1
wheat to corn	-	1½ to 1
beans to cotton		10 to 1

(Due to the lack of history of rice, there is no ratio to corn.

We feel that a 2 to 1 ratio is in order.)

(Note should be made that all feed grains are already indexed to corn.)

The following are two tables showing what loan rates would look like when they are indexed to corn using present loan and target prices. The figures are for comparison only and are not intended to be a recommendation for price.

AAM supports 90% parity loan rate for all commodities.

<u>INDEX USING LOAN</u>		<u>LOAN IN '84</u>
corn	2.55	2.55
wheat	3.82	3.30
beans	6.37	5.02
cotton	.64	.55
rice	5.10 bushel	3.60 bushel

<u>INDEXED TO TARGET PRICE</u>		<u>TARGET IN '84</u>
corn	3.03	3.03
wheat	4.55	4.38
bean	7.58	na
cotton	.76 (was target in '83)	.81
rice	6.06 bushel	5.36 bushel

Mr. Chairman, too often, the decisions are political instead of realistic. The AAM supports mandatory production programs based on bushels and pounds. We must bring all producers into the programs. Foreign investors, insurance companies, people farming the tax loopholes must be forced to do their fair share of supply management. If this occurred, the amount any individual must reduce would be considerably lower.

We support a national referendum to determine what producers want and need in their programs. Our organization is ready to accept the outcome of such a vote. We have to stop playing politics, both in farm organizations and in Congress, and get on with a new approach to agriculture. A long range policy, that is realistic instead of idealistic and acts rather than reacts to crisis situations.

AAM believes beginning stock inventories should automatically adjust the level of diversion on each commodity. The inventory figures should be used with a formula to make necessary adjustments by January 15th each year.

AAM supports the basic goals in this bill, but suggest these alternatives be examined. Thank you Mr. Chairman for allowing AAM to voice its views on this legislation.

**STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION
BEFORE THE COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
REGARDING H. R. 4565, THE AGRICULTURE EFFICIENCY AND EQUITY ACT**

Presented by
Michael V. Durando, Assistant Director, National Affairs Division

May 2, 1984

The American Farm Bureau Federation, the nation's largest general farm organization representing more than 3 2 million member families, appreciates this opportunity to present its views concerning H. R. 4565, the "Agriculture Efficiency and Equity Act." Farm Bureau commends Congressman Stenholm for introducing this legislation as a means of encouraging full discussion and analysis of the acreage base issue prior to the full debate on the 1985 Farm Bill. Mr. Chairman, you are to be complimented as well for calling these hearings before the House Agriculture Committee to discuss not only H. R. 4565, but other issues of importance in reviewing long-term agricultural and food legislation to succeed the Agriculture and Food Act of 1981.

Farm Bureau has reviewed H. R. 4565 and, in general, views the legislation as an innovative and positive approach in attempting to solve what has become a perplexing problem in the administration of government farm programs. The problem of implementing effective, yet flexible acreage-base mechanisms to use in conjunction with production adjustment provisions, has been a challenge, to say the least, over the past several years. There appears to be general agreement that within the context of the 1985 Farm Bill debate, a revised system of acreage bases or other program crop acreage concepts should be developed that will increase the effectiveness and the efficiency of subsequent farm price support programs.

At this time, Farm Bureau is not prepared to either support or oppose H. R. 4565. Farm Bureau policy for 1984, as approved by voting delegates last January does not make any specific recommendation for a change in the acreage base concept or mechanisms, nor does it state a position of support or opposition to the current system. In addition, our various commodity advisory committees as well as our Board of Directors, are continuing to examine this issue and have not yet recommended a specific position. Although Farm Bureau is not able to take an official position at this time we are pleased to be able to offer the following comments in hopes of adding to a constructive discussion of this subject.

The concept of a farm acreage base (FAB), which would be based on the rolling five-year average of the cumulative acreage planted for harvest to wheat feed grains, cotton and rice, could be an improvement upon the previous normal crop acreage concept utilized in the 1977 Food and Agriculture Act. It is an improvement in the fact that the farm acreage base is able to expand or contract on a gradual basis depending on the management and production economies of each individual farm. Certainly this makes more sense than locking in some sort

of overall farm base acreage at a historical level to be utilized for the subsequent four years, as this implies a continuation of the status quo for some definite or indefinite period in the future. Agriculture changes constantly, as it is a dynamic industry. Farmers must have flexibility in the management of their operations as well as their farm programs to adapt to changing supply, demand, and cost factors. Any attempt to lock in rigid acreage bases reduces the farmers' ability to respond to these market signals.

The same type of improved flexibility is apparent in the proposal for a crop acreage base (CAB). This proposal allows a farmer to modify his crop acreage base for each of the individual crops of wheat, feed grains, cotton and rice within certain limits. In addition, the requirement that a producer notify USDA two months prior to the required program announcement date of any intention to shift crop acreage base from one commodity to another allows farmers to adjust their production plans based on market signals prior to the announcement of any program. In a way, this will insure that farmers "farm the market" rather than "farm the program."

The proposal to revise the program yield provisions, by establishing a five-year rolling average excluding the high and the low yields, appears to be a move in the right direction. Current law provides that program yields shall be the previous year's crop yield adjusted if necessary to reflect certain factors at the discretion of the Secretary of Agriculture. Program yields such as proposed in H. R. 4565 appears to be more equitable and accurate and will serve to smooth out the variations in yields which could be caused by weather and other unpredictable factors. Absent any corrections or adjustment by the Secretary of Agriculture, the current program yield provisions of the Agriculture and Food Act of 1981 could penalize the producer who was impacted negatively by poor weather, while rewarding the producer who experienced favorable weather conditions the previous crop year.

Certainly no farm program is perfect and that includes the Agriculture and Food Act of 1981. There have been, over the course of administering the 1981 Farm Bill, problems with the current system of bases and yields. These problems are primarily in the areas of determining equitable crop bases when a producer rotates the production of his crop on an every other, or every third year basis. In addition, problems have arisen when new producers attempt to enter a commodity sector and must do so with minimal opportunity for farm program participation. Using the previous year or the average of the previous two years as a basis for determining crop program acreage probably has resulted in short term participation in farm price support programs, given the fact that acreage bases are susceptible to increases and decreases depending on various management factors.

There are always complaints about the determination of program yields concerning their accuracy, and who is being deprived of benefits. H. R. 4565 may help resolve these problems by establishing, on a more precise basis, the program yield provisions for the farm

program commodities. It appears that this provision may have the effect of reducing the Secretary's discretion in this area, which may add more predictability to the program and allow farmers to know with fair certainty what their program yields will be in advance of certification by the USDA.

Whether or not to put a system of improved base and yield formulas into permanent law may be of some controversy. To extend the discussion one step further, would it make sense to put not only base acreage and yield provisions into permanent law, but also other important farm price support provisions to avoid the need for reworking farm programs every four years? Farm Bureau is not necessarily recommending that the 1985 Farm Bill be enacted as permanent statute however it may be useful to further examine this concept taking into consideration that history shows us that since 1933 there have been 77 bills enacted which have modified farm price support programs. Just since enactment of the 1981 Farm Bill, there have been four major changes in that legislation, which averages out to more than one change per year. The point being that putting a program into permanent law may add increased predictability, efficiency, and effectiveness to the farm price support area; yet at the same time will not deny Congress the right to amend those statutes at any time. In general, if an acreage base and yield formula can be put into permanent law, it may be wise to accompany such an enactment with appropriate farm price support legislation. If the newly enacted farm program legislation, such as the upcoming 1985 Farm Bill is as useful, flexible, and successful as its proponents will hope it to be, then there will be no reason to amend it in the future. If, however, the bill does not measure up in the years following enactment despite the fact that it is permanent law, it can still be repealed or amended by the Congress. If a four-year farm bill is to be enacted in 1985, it may be wise to accompany that measure with a four-year system of base and yield formulas since there will be no way to predict what will happen in the farm program area following the 1989 crop year.

Farm Bureau is going to continue to study this proposal and others like it and looks forward to continuing to work with the Agriculture Committee towards developing effective farm program legislation in 1985. We will continue to encourage discussion of this issue as part of the overall 1985 Farm Bill debate at the state and county Farm Bureau levels and look forward to presenting a specific recommendation to the Committee in early 1985.

Thank you for this opportunity to present our comments.

TESTIMONY ON THE AGRICULTURAL EFFICIENCY AND EQUITY ACT

PRESENTED TO

THE HOUSE AGRICULTURE COMMITTEE

BY

GARY D. CONDRA

May 2, 1984

I would first like to commend Congressmen Stenholm, Roberts, Bedell, and Marlenee for the work which has obviously gone into development of H.R.4565. I would also like to commend the House Agriculture Committee for conducting timely hearings on the bill. This bill addresses a critical need for consistency, flexibility, and predictability in the computation and assignment of farm program bases and yields.

I am an agricultural economist by training and experience, having served as an Extension Economist for Texas A&M University from August 1975 to October 1983. During that period of time I was responsible for providing leadership in the development of educational programs in farm management, marketing, and policy in 42 West Texas Counties. I have also operated by own irrigated farming operation. I am currently a candidate for the Democratic nomination to the 19th Congressional District seat being vacated by Kent Hance. Therefore I hope my remarks will be interpreted as being representative of the concerns of a great number of West Texas producers. I have included in my testimony, Attachment A, which is entitled "Development Criteria for the 1985 Farm

Bill." This attachment does not directly address the base and yield issue except to the extent that bases and yields impact on the feasibility of developing a farm program which is consistent with the criteria which I have outlined. I will not discuss those criteria except to point out that the 1985 Farm Bill must restore profit and stability to agriculture. It must be a long-run program which maintains our level of exports. And the program must require mandatory participation.

I believe that there is definitely a need to establish a permanent base and yield system, e.g. H.R.4565. However, this greatly increases the need to insure that the system is workable and equitable. It also requires that the system be developed to work with a broad range of possible outcomes from development of the 1985 Farm Bill. For example, under the current voluntary program, a producer who is treated inequitably by the base and yield system has the option not to participate in the program. However, if mandatory participation is required, as I believe is necessary, we need to remember that the producer will not have the option of non-participation. I believe that this factor may significantly affect the possibility of passage for a permanent base and yield system.

My greatest concern lies with the method for establishment of 1986 program yields and calculation of yields thereafter (Sec.106). During the last 5 years, West Texas producers have

been hard hit by hail, drought, early freezes, and flooding. Many producers have had crop failures in three or four of the last five years. This means that a five year average is not representative of the productive capacity of farms in many areas of West Texas. If we cannot get program yields up for our producers, we cannot restore profit and stability in agriculture. We cannot make a voluntary program work. And we cannot develop a mandatory program which is equitable. For this reason, I strongly urge the committee to consider incorporating a procedure for establishment of the 1986 yields which reflects the productive capacity of the farm. And I also urge the committee to consider the inclusion of a weather adjustment in the calculation of yields for years following 1986.

Provisions need to be included in this bill to allow for double-cropping and summer-fallow in maintenance of the farm acreage base and crop acreage bases (Sec. 103). This section also inadequately deals with situations where the producer grows a non-program crop on acreage previously devoted to a program crop. As I understand the bill in its present form, a producer will reduce his farm acreage base if he takes land out of production for a program crop to produce a non-program crop. Under a voluntary program, he could not comply with the program the next year and restore his farm acreage base to its original level. Under a mandatory program, there is no provision for restoring this acreage. This appears to be inconsistent with our current need to deal with program crop

surpluses.

My last major reservation deals with the discretion provided to the Secretary of Agriculture to suspend farm acreage base limitations or crop acreage base limitations when he determines that there is a supply shortage of any crop (Sec 105). Since this Bill (H.R. 4565) will be permanent law it would not be practical to try to define a supply shortage in terms of carry-over and/or price conditions. But, I would suggest that the committee consider tying this discretionary authority to supply conditions which are more completely spelled out in related farm legislation.

(Attachment follows:)

ATTACHMENT A

DEVELOPMENT CRITERIA FOR
THE 1985 FARM BILL

by

Gary D. Condra

April 12, 1984

Development of the 1985 Farm Bill is one of the most serious economic issues facing the 19th Congressional District. This is not just another piece of legislation. When Congress talks about the 1985 Farm Bill, it is talking about the survival of West Texas agriculture. It is talking about the survival of our rural communities. And it is talking about the survival of many businesses and jobs in urban trade centers like Lubbock.

The fundamental question which Congress must address is not whether we will have high loan rates or target prices, voluntary or mandatory provisions, exports or not, etc. The fundamental question which will decide our survival as a major agricultural producing region is "What kind of a food and fiber system do we want to have in the year 2000?"

In 1978, USDA developed projections for the number and size of farms in the year 2000. According to these projections, if past trends are allowed to continue, the number of farms will

decline from 2.5 million in 1980 to 1.8 million in the year 2000. These numbers don't really mean much to most of us until we realize that this means that one out of every four farms in 1980 will not survive until the year 2000.

These same projections of past trends state that the largest 50,000 farms in the year 2000 will produce over two-thirds of our food and fiber and control over 50 percent of the land. Fifty thousand sounds like a large number, but consider that this is an average of 1,000 farms per state. Given that Texas has 254 counties, this is an average of four super farms per county, producing over two-thirds of our food and fiber and controlling over 50 percent of the land.

Obviously, if these trends continue, the impact on our agricultural communities will be disastrous. But many people in our nation do not realize is that these trends will also have a disastrous impact on the American consumer. The American public must realize that someone will pay the cost of production for the food and fiber which we consume and export. For too long, the farmer has paid part of that cost from his accumulated equity. However, the farmer can no longer pay because his bucket of equity is dry. The American public is now faced with a major decision. How will it pay for its food and fiber? We can pay now with a combination of market prices and public funds. Or we can wait until the largest 50,000 farms control two-thirds of the food and fiber and 50 percent of the land. And then we'll all pay dearly, as

consumers and as a nation!

We can, and must, off-set the declining trend in the number of medium-sized, commercial family farms in this nation. Not because large farms are bad, but because these medium-sized farms are the backbone of the greatest food and fiber system the world has ever known. Many countries have land and water which is comparable to ours. Certainly our technology can and has been transported. But the real difference which makes our system great is the American farmer -- and we are losing some of that precious human resource with every bankruptcy, foreclosure and farm sale.

In order to sustain the number of medium-sized commercial family farms, we must concentrate on insuring that the 1985 Farm Bill meets certain economic criteria. These criteria are (1) profitability, (2) stability, (3) long-run provisions, (4) maintenance of exports, and (5) mandatory participation. There are many ways to achieve these criteria in a farm bill and succeed in protecting the survival of our current food and fiber system. However, any farm bill which fails to meet these criteria will have little chance of off-setting the decline in the number of medium-sized commercial family farms.

Agriculture is a business, just like any other, and it cannot survive without profit. For too long, we have emphasized the amenities of agriculture as a "way of life" and ignored the

need to educate the American public to the business aspects of agriculture. Now we have no choice. A farm bill which does not provide a reasonable opportunity for the farmer to make a profit will not work. It will not work for the farmer, for the agricultural community, for Lubbock, or for the nation.

Agriculture badly needs stability. We have been on a roller coaster since 1973 and we have finally reached a point where there are only two groups of people. There are those who own the roller coaster and those who can't afford the price of a ticket. While farmers need stability, lenders and agri-business people need stability, too. They have their own roller coaster and many of them have white knuckles from trying to stay on.

We must restore profit and stability to agriculture if we are to also provide a way for young people to return to agriculture. There is little opportunity today for young people to start farming because profits are low, or non-existent; and risk is high. Profit and stability will allow families and lenders to provide the capital which young people must have to enter the high-cost business of farming. Agriculture has become very scientific, but it still has many of the characteristics of an art. Many skills are not transferred through formal training, but instead are passed from generation to generation. When a generation of our youth does not return to the farm -- our nation has lost that unique agricultural expertise forever.

The 1985 Farm Bill must also be a long-run program. From a business standpoint, our farmers, lenders and agri-business people cannot continue to wonder each day what changes the political process will produce to negate the plans which they have made and implemented. Agriculture is a long-run business with biological cycles which cannot be started and stopped overnight -- and it requires a long-run program. From a natural resources policy standpoint, we, as a nation, have a real stake in providing a long-run decision-making environment for the farmer. Conservation of natural resources is a long-run goal and it requires long-run plans. As long as we force the farmer to make very short-run decisions in order to survive, we will not achieve the wisest use of our natural resources. We may not suffer in our lifetime, but our children will wonder why we made no long-run plans for their future.

There is a great deal of discussion over whether to develop a farm policy which relies on the export of agricultural products. I would suggest that the real question is not "whether or not to export," but rather "who will pay for the commodities we export?" Whether we like it or not, agricultural exports are all that stand between us and a disastrous foreign trade deficit. Agricultural exports are good for the nation and our nation must continue to export. But, by the same token, we must have a national commitment to maintain these exports. This means that we, as a nation, must

stand ready to pay the cost of maintaining this policy. The farmer can no longer continue to pay the bulk of the costs for a policy which primarily benefits the nation as a whole.

Finally, the 1985 Farm Bill must require mandatory participation in the program. No one likes a mandatory program, but we cannot afford to rely on voluntary participation to insure the survival of our food and fiber system. We cannot rely on voluntary participation because we are facing a budget deficit which will not likely allow adequate funding to achieve the necessary levels of participation. And we can not rely on voluntary participation because we, as a nation and as West Texans, cannot afford another farm program failure.

Congress will develop a farm bill in 1985, and that farm bill will definitely have a lasting impact on West Texas. But it is up to us to make sure that Congress understands the critical decision which it is making for the future of West Texas agriculture. Otherwise Congress will provide the answer without ever really asking the question, "What kind of food and fiber system do we want to have in the year 2000?"

Agricultural Efficiency and Equity Act of 1983
(H.R. 4565)
Testimony Presented to the U.S. House of Representatives
Committee on Agriculture

by
Dr. Edward G. Smith
Dr. James W. Richardson
Agricultural and Food Policy Center
Department of Agricultural Economics
Texas A&M University

We at the Agricultural and Food Policy Center of the Texas A&M University System appreciate the opportunity to testify on the Agricultural Efficiency and Equity Act of 1983. Uncertainty is one of the major problems confronting agriculture. Government contributes to this uncertainty when short-run changes are made in farm programs. H.R. 4565 would make the methods used in computing farm program bases and yields more predictable while allowing farmers to respond to economic forces.

Our testimony is in two parts: The first is a summary of a survey we conducted last year of Texas producers' attitudes on farm program base and yield issues. Second, comments are made on specific provisions of H.R. 4565 and a summary of research on alternative formulas for farm program yields.

Texas Producer Attitudes on the Farm Program Base and Yield Issue

General Findings

In July, 1983, a survey was conducted of farmers in the major crop producing regions of Texas concerning their attitudes toward the farm program base and yield issue. Of the 425 respondents, 87 percent favored

continuing the use of a base concept. Considerably less agreement, however, emerged as to their attitudes for the formulation and implementation of base and yields.

The respondents, in general, agreed that the most effective means of controlling production would be with a base which incorporated both acreage and yield (production base). When asked if they would like to see the establishment of a production base, 59 percent of the respondents answered yes. However, when asked what method of production control would they most favor, the majority of producers (57 percent) selected use of an acreage base only, as compared to only 6 percent opting for a production base. It appears, therefore, that even though producers recognize a production base would be more efficient in supply management, they still favor the flexibility offered by the acreage base concept.

Calculation and Assignment of Acreage Base

When asked how the acreage base should be assigned, 69 percent of the respondents indicated that the base should be assigned to the land rather than to the farm operator. Only 54 percent, however, believed that a base should be specifically crop oriented, forty-six percent of the respondents opted for a total cropland base. The respondents were split between two formulas for calculating the base: a simple average of the last 3 years planted acreage received support from 43 percent of the respondents, while a simple average of the last 5 years received 46 percent support. A majority (59 percent) of the farmers surveyed favored assigning acreage bases to only price supported crops.

Calculating Farm Program Yield (FPY)

When asked how FPY should be calculated, 35 percent of the respon-

dents favored simply taking the last 5 years yield history, dropping the high and low yield, and averaging the remaining three years. Only 22 percent favored using the current method for calculating FFY, while 20 percent of the respondents favored using the simple average of the best 4 of the last 5 years.

Currently, the production unit for which yield is calculated differs from crop to crop. Cotton and rice FFY's are calculated based on harvested acres, while the FFY for feed grains and wheat is based on planted acreage. Producers surveyed favored the use of harvested acreage (72 percent) in calculating FFY.

Natural disasters beyond the control of producers are experienced from time to time, sometimes in succession. Producers were in agreement that adjustments needed to be made for natural disasters, although the methods recommended were diverse. A significant majority (63 percent) felt that there should be a floor and a ceiling on the annual percentage change in FFY.

A number of additional questions were asked the farmers in this survey. If you are interested in these, please refer to "Texas Producer Attitudes Toward Farm Program Base Issues," *Food and Fiber Economics*, Volume 12, No. 8, Texas Agricultural Extension Service, The Texas A&M University System.

Questions and Comments Concerning H.R. 4565

It appears that H.R. 4565 is responsive to the attitudes of Texas producers as determined by our producer survey. However, as economists, we have comments on several provisions of the bill. We will limit our comments to the specific sections in question.

Section 102 (Farm Acreage Base)

The purpose of H.R. 4565 is to provide permanent legislation for establishing each farms' acreage base and yield. An alternative to limiting the legislation to program crops (wheat, feed grains, cotton, and rice) would be to give farmers increased flexibility by including all cultivated and potentially tillable acreage in the base. The emphasis would then be on the total acres farmed, not on individual crops. By employing this alternative, the overall surplus problem could be more effectively dealt with. That is, the problem of crop surpluses being passed from commodity to commodity because of individual program provisions would be reduced. A total farm acreage base would provide for the needed flexibility in long-term producer and government planning. It would also allow market prices (moderated by the effect of government programs) to determine a farms' crop mix rather than a government regimented base.

While it may be argued that individual crop acreage bases allow for more effective planning, total farm acreage base does not preclude this. Section 104 deals with this issue in that producers must submit notice to the county committee of an intent to change the make up of his crop acreage base prior to the announcement of the farm program for the coming year (Sec. 104-c). With such notice, the Secretary of Agriculture would have a good approximation of the acreage to be allocated to any specific crop and could make adjustments in the farm program as deemed necessary by use of a National Crop Acreage (NCA) type of program. To reduce concerns regarding cultivation of marginal acreage, one could implement "sod buster" provisions which exclude highly erodable land from the base calculation.

Section 103 (Crop Acreage Base)

Section 103 provides flexibility to producers in initially determining their individual crop acreage bases. If the crop acreage base delineation were expanded to both program and non-program crops, changes would also be required in Section 103.

Section 104 (Adjustment of Crop Acreage Bases By Producers)

Section 104-b1 restricts the adjustment in acreage base in any year to 25 percent of the total farm acreage base. In addition, Section 104-b2 further limits the adjustment to the acreage planted the year before. This arbitrary 25 percent adjustment limit could have adverse regional side effects on the ability of farmers to implement crop rotation programs. The restriction in Sec. 104-b2 precludes the production of a new crop (program or nonprogram), regardless of market price incentives. An NCA type of program with the provision in Section 104-c has sufficient flexibility to handle aggregate acreage adjustments, while allowing efficient allocation of resources within each region. During the period of adjustment to the NCA concept transitional assistance may be warranted, especially in regions where production of specific crops has been encouraged by past farm programs.

Section 106 (Program Yield)

In determining the farm program yield when no yield history exists or when adjustments in farming practices warrant a permanent change, the guidelines to be used by the county ASCS committee could be made more specific. Such guidelines might include yields on adjacent farms having comparable soil types.

In Section 106, program yield is determined using historical har-

vested acre yields. Harvested acre yields give producers a distorted signal. If the farm program is sufficiently important to the producers economic viability, economically valuable crops (expected revenue exceeding harvest cost) could be destroyed to maintain harvested acre farm program yield. Additionally, small acreage could be intensely farmed and the harvested acre yield applied to the whole farm. Planted acreage yields, on the other hand, allow productive, economic forces to dictate resource allocation.

Because harvested acre yields have been the norm in the past for cotton and rice, farm program yields for these crops would be adjusted downward under a planted acreage scenario. Incentives for farm program participation by cotton and rice farmers would therefore need to be adjusted. It should be pointed out that regions with highly variable yields benefit more from a farm program yield formula based on harvested acres than one based on planted acres.

Yield Formulation

The specific formula used to determine farm program yield (FFY) is particularly important when debating permanent legislation. While the plus or minus 10 percent limit on FFY adjustment prevents massive changes in any one year, it does not alleviate the impact of back to back natural disasters when using a rolling 5 year average, dropping the high and low. An alternative is to develop a weather adjustment factor, which considers the impact of weather on the FFY (a weather adjustment method is currently being used by the ASCS). We have included Table 1 which details the adjustment process under various farm program yield formulas, including the one proposed in H.R. 4565.

While the material in Table 1 is hypothetical, it demonstrates the

long-run impact of selected FPY formulas when a farm experiences back-to-back disasters. In the example, we assume the cotton farm produced 500 lbs of lint per harvested acre in each year from 1977-1991, except in 1982 and 1983 when a disaster was experienced and the farm's harvested acre yield dropped to only 100 lbs of lint per harvested acre.

The FPY was calculated for 1982-1991 using the following formulas:

- Strategy I represents the formula currently used by the ASCS for cotton. FPY is computed as the average of the last 3 harvested acreage yields using a weather adjustment where applicable. The FPY is prevented from falling by more than 20 percent in any one year.
- Strategy II represents the FPY formula proposed in H.R. 4565 with a ± 10 percent yield adjustment band.
- Strategy III represents the FPY formula proposed in H.R. 4565 without the ± 10 percent yield adjustment band.
- Strategy IV represents a FPY formula computed by averaging the best 4 of the previous 5 yields. FPY may not change by more than ± 10 percent each year.
- Strategy V is the same as strategy IV without the ± 10 percent yield adjustment band.

The projected FPY's in Table 1 are graphically represented in Figure 1. The FPY's in Figure 1 indicate that a formula which imposes production adjustment bands without a weather adjustment factor (such as Strategy II, H.R. 4565) extends the adjustment period 4 years longer than the current FPY formula for cotton and rice. In the example, the impact of the disasters in 1982 and 1983 on FPY were experienced until 1991 under Strategy II. On the other hand, a weather adjustment factor as used by

Strategy I coupled with the absence of an adjustment ceiling allowed FPY's to return to normal in a much shorter period (by 1987). Removing the +10 percent adjustment limit in Strategy II would allow FPY to return to normal by 1988 (Strategy III). Imposing a maximum annual adjustment in FPY of ± 10 percent similarly prolongs the adjustment period for Strategy IV as compared to Strategy V.

When a maximum adjustment band (± 10 percent) is provided the adjustment period is extended for several years. Farmers have less incentive to participate in a farm program when a ± 10 percent band is in place because the FPY does not truly reflect the productive capacity of the farm.

Only a limited number of possible FPY formulas are presented here; however, the variability observed among these formulas suggests that further research may be warranted before permanent legislation is passed.

(Attachments follow:)

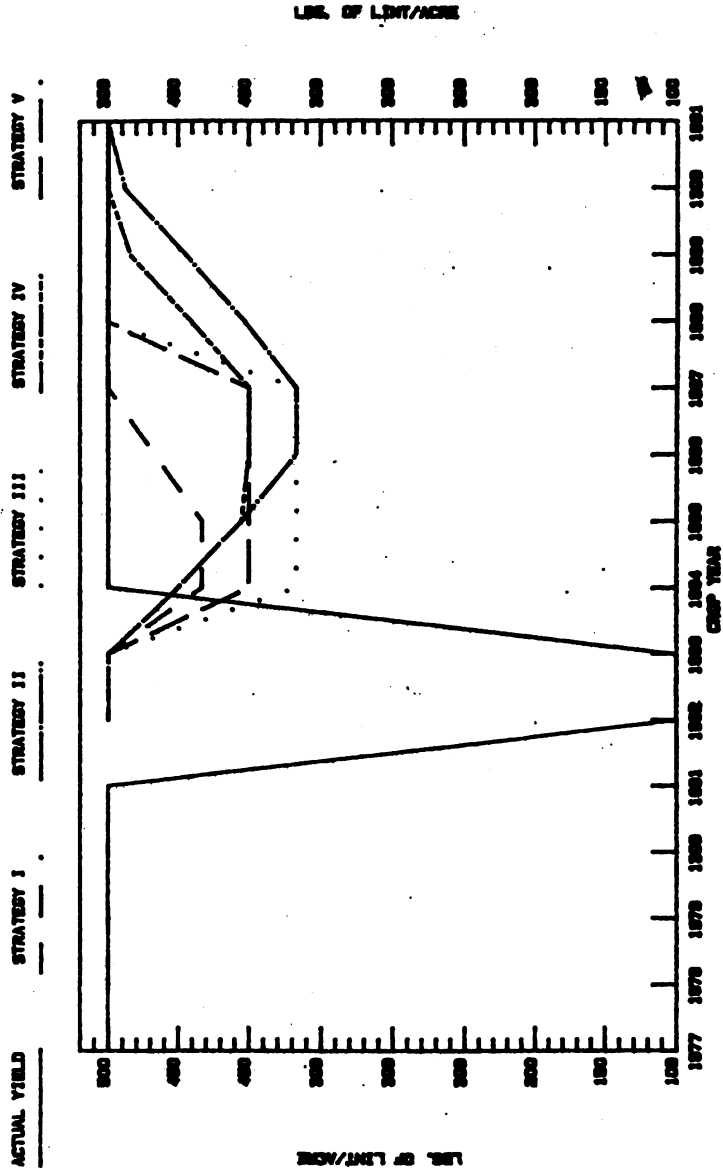
Table 1. Hypothetical Cotton Farm Example of the Impact of Selected Farm Program Yield (FPY) Formulations on the Long Run Adjustment Process When a Farm Experiences Back to Back Disasters

Harvested Acre Yield	FPY For Strategies				
	I	II	III	IV	V
1977					
1978					
1979					
1980					
1981					
1982	500	500	500	500	500
1983	500	500	500	500	500
1984	433	450	367	450	400
1985	500	405	367	405	400
1986	467	367	367	400	400
1987	500	367	367	400	400
1988	500	403	500	440	500
1989	500	444	500	484	500
1990	500	488	500	500	500
1991	500	500	500	500	500

Strategies Analyzed

- I. Current ASCS Formula: Average of last 3 years using a weather adjustment where applicable. Weather adjustment is a simple average of the best 4 yields over the last 5 years. Farm program yield may not fall by more than 20 percent each year.
- II. H.R. 4565 Proposal: Drop the high and low yields for the last 5 years and average the 3 remaining values without a weather adjustment. Farm program yield may not change by more than ± 10 percent each year.
- III. Same as II but without the ± 10 percent adjustment limit.
- IV. Average of the best 4 of the previous 5 years yield. Farm program yield may not change by more than ± 10 percent each year.
- V. Same as IV without the ± 10 percent adjustment limit.

FIG. 1 PROJECTED FARM PROGRAM YIELDS UNDER ALTERNATIVE CALCULATION PROCEDURES. *



FOR A DESCRIPTION OF THE CALCULATION STRATEGIES SEE TABLE 1.

Statement by
U.S. Senator Lloyd Bentsen
to the
House Agriculture Committee
May 2, 1984

Mr. Chairman, I commend you for holding these hearings on legislation that can be of great benefit to the American farmer. I know your strong support for the cause of American agriculture and I appreciate your leadership on issues of concern to farmers in Texas and throughout the nation.

I am happy to be working with my distinguished colleague and fellow Texan, Congressman Charles Stenholm, on the important legislation before this Committee today. I have introduced S. 2608 as a companion bill to H.R. 4565, the legislation which is now before this committee. This legislation is the result of an extensive survey conducted last year by Congressman Stenholm of problems that farmers have with our farm programs.

This bill would provide farmers with a dependable, rational system of determining their base acreages for participation in our farm programs. It will write into permanent law a standard method of determining farm base acreages for the various crops covered by federal farm programs.

If a farmer does not have an acreage base for a crop, then he generally cannot participate in the farm price support program for that crop. Under our current system, farmers are continually but needlessly subjected to erratic changes in the method of determining farm base acreages. This makes it impossible to plan with any certainty even one year ahead for a crop rotation, even though farmers need to be able to plan ahead for several years in many cases to develop the most efficient farm plan.

A major part of the problem is that the method of computation of this base can and does change with each farm bill that Congress enacts. And these changes can occur within every year of a multi-year farm bill. Some individuals are invariably trapped and caused hardship whenever a change is made.

For example, the farm bases for 1982, the first under the current farm bill, were established on the basis of the farmers' plantings in 1980 and 1981. Texas farmers who happened to plant cotton in 1980 and 1981 were thus assigned a cotton base for 1982. Many of these farmers then felt forced to plant that acreage in cotton in 1982, even though they might have wanted to plant wheat or some other crop. They did so simply to keep from losing their cotton base.

Other farmers switched to wheat in 1982, often planting large acreages to average in with previous years in order to get a significant acreage base established for 1983. However, instead of averaging in the 1982 plantings to set the 1983 bases, the 1983 bases were frozen at the 1982 levels. Farmers who wanted to change their crop base for 1983 found that they could not do so.

And on top of that they were stuck with a lot of very cheap wheat in 1982 without any protection from the federal wheat price support program.

They and their neighbors learned from that bitter experience, and now they often plant whatever crop base they have just to avoid losing it. A farmer who accidentally got a cotton base may keep planting cotton instead of switching to wheat, simply because a switch to wheat might leave him with no wheat base and no cotton base.

This bill would remedy that problem by establishing a new system for setting these bases and writing it into permanent law. This legislation will provide farmers with the certainty that they can plan ahead for changes in their cropping patterns without risking the loss of their eligibility to participate in federal farm programs. Farmers do not have to participate in these farm programs, and they do not have to use the methods established in this legislation to change their cropping patterns. However, this bill will, for the first time, guarantee farmers that they can change crops and still retain farm program eligibility by following a simple and unchanging set of guidelines.

The details of a new base acreage system are important and deserve careful consideration. I expect that this bill will be revised and improved. However, even more important is the hope for improved stability which this concept holds for American farmers. The vagaries of the weather and the marketplace are more than enough for farmers to contend with already. Some version of this bill needs to be enacted into law so that our farmers can plan ahead.

I appreciate the opportunity to present this testimony to the Committee, and I look forward to working with you towards passage of this needed legislation.



National Milk Producers Federation
1840 Wilson Blvd., Arlington, VA 22201
703-843-6111

Patrick S. Healy
Chief Executive Officer

May 3, 1984

Honorable Charles Stenholm
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Stenholm:

This is in reply to your letter of April 20 in which you announced the hearings on H.R. 4565, the Agricultural Efficiency and Equity Act and asking for our comments.

We, here in National Milk Producers Federation, have little expertise in the areas addressed by H.R. 4565 and therefore hesitate to express our views to those of you who are so much more knowledgeable.

We can, however, indicate some of what we have learned in developing programs for milk. We too, in our industry, are plagued when program mechanics such as data concerning yields and plant costs are inaccurate or ever disregarded. Because of the system of supporting prices to producers of milk through the purchase of milk products from plants which may or may not be controlled by producers, it is essential that we have accurate knowledge concerning yields of product from milk and costs for converting. We must know these things if we are to be assured that the prices at which CCC buys product from plants will allow plants of average efficiency to pay farmers announced support prices for milk.

H.R. 4565, which addresses mechanical problems as they relate to other commodities, is an essential tool which you are to be commended for sponsoring.

Sincerely,

Patrick S. Healy, Chief Executive Officer
NATIONAL MILK PRODUCERS FEDERATION

Norman H. Barber, President James P. Comerio, Jr., First Vice President Herbert Sefbrode, Second Vice President

STATEMENT

of the

IOWA CATTLEMEN'S ASSOCIATION

The statement that follows on crop bases is being submitted to the Agriculture Committee of the United States House of Representatives by the Iowa Cattlemen's Association. The Iowa Cattlemen's Association consists of over 15,000 dues paying members. We very much appreciate the opportunity to have input on this most important matter.

The number one area of involvement of the Iowa Cattlemen's Association over the last two years has been in the farm program and farm policy areas. Perhaps this sounds unusual to have these areas as priorities for a cattlemen's organization; however, we are of the opinion that recent feed grain programs have been a major factor in the decline of Cornbelt cattle feeding and, in addition, have compounded our soil erosion problems. The cattle producer and feeder is penalized so severely in base acreage determination, proven yields and the lack of loan privileges for corn harvested as a feedstuff, that they either do not participate or become cash grain farmers so that they, too, can receive maximum benefits.

The Iowa Cattlemen's Association believes that previous cropping history should be used in establishing a crop base, but adjustment factors should be incorporated that would promote soil conservation. Some cattle producers have indicated that they would prefer to plant less corn in 1984 and instead plant more hay, pasture or small grain crops. However, they are not following through on these intentions because of a future reduction in their corn base and uncertainties relating to subsequent feed grain programs.

Cattle producers and feeders tend to raise crops other than feed grains on some of their tillable acres. In fact, cattlemen in the Cornbelt are about the only group that plants and harvests anything other than row crops. These alternative crops are primarily grasses, forages and small grains which are soil conserving crops that are grown to produce feedstuffs for cattle. One could debate whether this is done primarily for conservation or economic purposes. The fact remains that many cattle

producers and feeders are raising soil conserving crops that have both a long and short term impact on helping to conserve our topsoil and to reduce feed grain acreage. Aren't these the major objectives of federal feed grain programs? This is voluntarily being done by cattle producers without public tax dollars.

The cattle industry does not want and is not asking for government assistance in this area. We are, however, asking for equitability in determining crop bases. Recent federal feed grain programs directly discriminate against Cornbelt cattle producers and feeders by providing incentives for them to decrease their pasture, hay and small grain acreage. A farmer that has planted every available acre to row crops over the last two years receives a proportionately larger corn base for that very reason. This occurs even if a portion of his acreage is not entirely suitable for row crop production and is subject to erosion. Comparatively, the cattle producer with alternative crops receives a smaller corn base as a penalty for planting soil conserving crops even though they are usually on the more marginal acres of his farm. This seems inappropriate, inefficient and most importantly, unfair. Why should others be paid a premium to do exactly what many cattle producers routinely incorporate into their farming enterprises?

Farm programs should encourage farmers not producing soil conserving crops to do so rather than discouraging those who do raise soil conserving crops to discontinue this practice.

The inequities and problems are easy to identify, and we question why USDA and Congress have not made adjustments to rectify these counter productive practices associated with crop base determination. Solutions to the problem are more difficult to identify and implement.

The Iowa Cattlemen's Association has looked at various alternatives over the last two years. Our recommendation at this time is to develop a formula giving credit towards a corn base for pasture, hay or small grain crop acreage on those farms

where these crops are routinely produced. We are not suggesting that this credit be given on nontillable acres. Only those farms that produce these crops on tillable acres that could be planted to row crops should be given this adjustment. Our recommendation for adjusting crop bases would be to use National Research Council total digestible nutrients (TDN) percentages for those crops as compared to corn or the other program crop to be adjusted. As an example, corn is approximately 80 percent TDN and alfalfa or pasture grasses are approximately 50 percent TDN; under our recommendation the alfalfa or pasture acres would be given $\frac{5}{8}$ or 0.625 credit per acre to raise the corn base.

We feel that the calculation using total digestible nutrients percentages as compared to the base crop would be suitable to a large geographic region and to various crop bases. We in Iowa are most concerned about a corn base and are certain that it could be used there. Our main point, however, is that credit towards a corn or crop base should be given when soil conserving crops are produced on acres that could be planted to the base crop. If current program philosophies continue, more and more acres will be converted to row crop production leading to additional soil erosion and additional acreage in feed grain production. There must be flexibility in adjusting bases so that the programs do not become even more self defeating.

At this time the Iowa Cattlemen's Association opposes the establishment of crop bases on additional crops such as soybeans. We feel that a base system on soybeans would create the same inequities as with corn and would lead to more erodible acres being planted to soybeans at the expense of soil conserving crops. If incentives are to be provided, they should be directed towards soil conserving crops rather than a row crop such as soybeans whose production is even more erosive than corn.

Thank you for consideration of our recommendations.



ALABAMA FARM BUREAU FEDERATION

P O Box 11000/Montgomery Alabama 36184(206) 268 3000

QUODWIN L. MYRICK, President

May 1, 1984

The Honorable Charles W. Stenholm
U. S. House of Representatives
Washington, D.C. 20515

Dear Congressman Stenholm:

The Alabama Farm Bureau Federation, representing the views of the farmers and ranchers of Alabama, commends you for seeking a long-term solution to the annual problem of determining acreage bases and program compatibility for the various program crops. The objectives sought in this legislation are a common goal which would provide an element of stability in an area of farm programs which has become chaotic. We find it impossible to present testimony in person and respectfully request that this written statement be placed in the Hearing Record on H.R. 4565, The Agricultural Efficiency and Equity Act of 1983, at the time of the hearing May 2, 1984.

We have several questions concerning this legislation which I am certain will be answered by the hearing and before Congress considers this legislation. First, the legislation seems vague in the areas where producers would, for one reason or another, be building crop acreage base. Several crops, but in particular cotton, have experienced significant shifts in production from one growing region to another. These movements have occurred periodically over long periods of time. This legislation appears to create a more rigid base setting procedure which, unless modified, would not allow for normal shifts from one area of the country to another. Although total planted acreage reductions are necessary for certain years, it does not make it necessary to rigidly fix those reductions to regions on a permanent basis.

Second, we are concerned that bases, such as those which would be established under this Act, would accrue value unto themselves, ultimately creating a franchise system for American agriculture. We understand the virtues of this, but respectfully suggest that the final versions of the law provide mechanisms to account for the value on a prior basis.

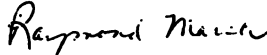
Third, this legislation would require cross-compliance. We do not feel that cross-compliance should be equated with individual crop program equality. Supporting cross-compliance will not produce fair and equitable programs for all crops. Also, cross-compliance interferes with the normal shifting of crop production from one region to another, as mentioned before.

Providing Leadership for the 80s

The farming patterns of Alabama and the Southeast involve the utilization of a significant quantity of rented land, creating competitive conditions for the best land. We envision problems under this legislation. Higher rents could logically be expected if bases were fixed, especially under cross-compliance. Perhaps a system of offsetting compliance could make the system less rigid.

Thank you for the opportunity to submit this statement and for your foresight to attempt to find a fair and equitable solution to the problems which annually plague agriculture.

Sincerely,



Raymond Marsh, Chairman
State Cotton Committee

RH:eb

P & P FARMS, INC.

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Star Route 1
Royal City, Washington 98357

Page 1--Testimony of Alice Parker

I am Alice Parker from Royal City, Washington and a constituent of Congressman Sid Morrison. My husband, Ivan and I have lived our entire lives on farms and have owned and operated our own since 1954. During the 30 years of farming we have had many experiences. Starting in 1954 we were dryland farmers in Eastern Colorado. In 1965 we moved to the Columbia Basin in Washington State and became irrigated farmers. With the help of our children we had the experience of taking land out of sagebrush and cheatgrass and developing the irrigation system and making this land into^a good productive farm. In 1975 in order to bring our son Perry into the operation as a partner we formed a family farm corporation known as P & P Farms Inc. We now own 450 acres and lease another 500 acres. We recently purchased 450 acres that adjoins us but is not presently in the irrigation project. Our hopes are that someday in the very near future we will be able to receive irrigation water for those acres and then we will not have to rely on leasing additional land to warrant owning machinery needed to farm efficiently.

We have been actively involved in many different organizations and committees that have been agriculture oriented over the past 30 years. Currently I am serving as the President of Washington State W.I.EE. (Women Involved In Farm Economics) and represent W.I.F.E. on the Grant County Farm Coalition. I serve as secretary of the Coalition. I am also serving on the newly formed Washington Agricultural Council Executive Committee.

I want to express my sincere thanks to you the committee for giving us the grassroots producer the opportunity to give input into the development of a new farm-food policy. I only wish that it

wasn't so expensive to travel from Washington State to Washington D.C. so I could personally present my testimony to you. My sincere Thanks go to my Congressman, Sid Morrison for assisting me so that I can submit this written statement.

I received a news release from Committee Chairman Kika de la Garza quoting Representative Charles Stenholm in regards to H.R. 4565, "The Agricultural Efficiency and Equity Act." That quote was "Right now, our system for setting bases and yields is not fair to many farmers and is unpredictable for the rest. It leaves too much discretion to bureaucratic whims, and it should be revised and put into permanent law so that farmers can depend on it. I believe this is an important first step on the road to a workable 1985 farm bill." I agree with that statement.

Those of us who are in irrigated farm areas that are diversified usually cannot participate in any farm program as they are presently set up. Let me give you an example of how it has affected our own personal farm operation. When we first came to the Columbia Basin and took the raw land out of sagebrush and cheat grass we had to plant crops such as wheat, barley or corn that was going to give us a crop residue that we could put back into the soil to help build good productive land that would be capable of producing crops other than just grain. It took about 10 years of constantly rotating these grain crops to accomplish this task. This land prior to development was desert land so was not previously cultivated, therefore no bases were established. Under present law we would have been ineligible to receive CCC loans. At the time of developing we also could not afford to set aside acres. It was extremely important

that we continue to farm this land in order to build it into productive farm ground. Letting the soil set idle was not going to help us accomplish the goal that we had set out to do and we were investing a large sum of capital in the project. Now after 19 years of using good farming practices (also known as conservation practices) we now have productive soil that is capable of producing a variety of crops.

Before I explain how the program is presently affecting us I want to make a comment about conservation. Today's farmers are constantly being criticized as not being good conservationists. That criticism is grossly unjustified. We do have some in the business that are abusing the land just as you have some lawmakers that abuse the privileges you have as being Congressmen but it is the same in both cases. It is a very small minority that is abusing the system rather than the majority. I can safely say that the greatest majority of farmers are trying to practice conservation. We have to if we intend to stay in business for a long period of time.

Presently the main purpose of producing wheat or grain on irrigated land is for crop rotation. We must keep our soil disease free and replace the humus that deteriorates from producing certain types of crops. Wheat or other grain production helps accomplish this conservation practice. Here in the Columbia Basin recommendations for some specific crops are as follows:

- 1.) Dry Edible Beans--one year out of 4 can be safely grown disease free.
- 2.) Potatoes---no oftener that every 4th year with the processors

recommending no oftener than every 5th year.

3.) Green or seed peas---the same recommendation as dry beans.

4.) Alfalfa Hay---maximun production can be grown for 3 years then needs a one year rotation with a crop such as wheat. The following year can be reseeded to alfalfa.

5.) Wheat---cannot be seeded year after year without disease problems and a great reduction in yield.

An irrigated farm cannot establish a stable acreage base when producing these other crops unless it is a large farm and the Reclamation Act prevents that. Using our own operation as an example, we have established a 138 acre whcat base for 1984 since we have always reported our acreage planting to the ASCS office. Using crop rotations as conservation practices that we beleive are essential we have only 62 acres avaiable for wheat production in 1984. It is plain to see what will happen to our wheat base for 1985.

My recommendation to you is, that a provision be established that will take into account the farms that are using conservation practices and as a result are having difficulty in maintaining base acres. I beleive these farmers should be given incentives to continue good conservation practices rather than be penalized for doing so.

I want to strongly encourage you to look at the entire scope of the agriculture industry when developing the farm-food policy for 1985. So often when only one commodity needs are addressed it has had a very detrimental effect on some other commodity. As an example, when haying or grazing was allowed on set aside or PIK acres in the 1983 program it created an economic hardship on the alfalfa hay growers here in the Columbia Basin as it took part of

their markets. We are seeing a large carryover in alfalfa hay in this area, partly because of the wheat haying and grazing provision and the partly due to the dairy reduction. Here in Washington State the State ASCS Committee has overruled the federal ruling that allows haying and grazing. It will not be allowed in this state. Often these short term solutions have created more problems than they have solved which has defeated the real purpose for which they were designed. Changing the program every few months makes it very difficult for farmers to make any kind of long range planning.

I'm sure I don't need to remind you that not only does the food and fiber producer produce the needed food and clothing needed by the general public but he is the one that generates the new wealth for the entire nation.

As a result of past foreign and domestic food policy the farmer has been forced into heavy debt. If he is to ever overcome this debt load and help this nation to become economically strong again then he must start realizing a profit. For the sake of our nation I ask that the word PROFIT and furthermore the essential need for a profit to the producer be foremost in determining what the final policy will be for 1985.



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AGRICULTURAL COUNCIL OF ARKANSAS

BOX 1837
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May 11, 1984

The Honorable E. de la Garza
Longworth House Office Building - # 1301
Washington, D. C. 20515

Dear Mr. Chairman:

Your Committee is to be commended for holding hearings on H.R. 4565, the Agricultural Equity and Efficiency Act. There is definitely a need to reduce the bases for the major crops, as the base for each crop is greater than has been planted under present law. And they all keep growing. However, our members don't think H.R. 4565 is the best way to solve the problem of too large bases.

We request that you insert our views which are contained in this letter in the hearing record for H.R. 4565.

First, we would like to express our sincere thanks to Congressman Stenholm for having the courage to introduce H.R. 4565. We have long admired Rep. Stenholm as a bright and hard working Congressman who always has the best interests of agriculture at heart. The fact that he would introduce this bill is proof of his courage.

Unfortunately for farmers in the Midsouth, passage of H.R. 4565 would be like putting them in an economic straight-jacket. It would take away much of their flexibility to manage; it would tend to prevent the U. S. from increasing its share of world agricultural markets; it does not include soybeans, one of our major crops; and payment limitations would negate the goals of the bill.

Farmers in the Midsouth have the good fortune of being able to easily switch between five crops: soybeans, wheat, rice, cotton and grain sorghum - four program crops and one non-program crop. Much switching between these crops has occurred in recent years and much more is anticipated in the future. H.R. 4565 would restrict much of the flexibility presently enjoyed by farmers in making sound management decisions.

Granted, this bill allows some flexibility within the F.A.B. The latitude to shift up to 25 percent between crops is commendable. However, it makes no provision for building a base in a crop for which there is zero acreage. Assume a farm contains 1,000 acres of cropland with a 1,000-acre F.A.B., of which 950 is devoted to a C.A.B. of wheat. A farm with only wheat and soybeans is not uncommon in this area. If a farmer wishes to plant cotton, rice, or feed grain on the farm he can only do so by going outside the program. Where is the flexibility?

Suppose the same farm has a 1,000-acre F.A.B. with a C.A.B. consisting of 950 acres of wheat and 50 acres of cotton. If the cotton price improves dramatically and the wheat price looks dismal, the cotton acreage can only be increased by 50 acres if the farmer wishes to remain in the program. The bill definitely does not provide enough flexibility for Mississippi Delta farmers.

Neither H.R. 4565 nor any other farm program is going to work very efficiently with payment limitations at \$50,000 per person per year. In today's agriculture farmers who grow about 80 percent of the nation's produce will be subject to the payments limitation. If future legislation is similar to present law, once the farmer reached the payment limit he could stop idling acres and plant it to another crop. Under H.R. 4565, he would most likely plant the acres to soybeans. He could not plant the acres which would be freed to any program crop because of the cross compliance feature of the bill.

On many farms in the United States, soybeans comprise almost half the crop acreage on the farm. Under H.R. 4565, the soybean acreage on the farm would not be included in either the F.A.B. or the C.A.B. How can a law be effective which ignores almost half the acreage on a farm?

On the other hand, if soybeans were included in the legislation, the soybean industry would likely oppose the bill with all its might. I'm sure the organization would oppose the inclusion of soybeans as a program crop. Farmer fees that they need at least one crop free of government restrictions.

It seems that one of the unstated objectives of H.R. 4565 is to control the supply of major crops to enhance price. Recent history has proven two fallacies in such an objective. First of all, it leaves the U. S. the responsibility of making production adjustments for the entire world. American farmers don't feel this is fair and besides, it doesn't work because other countries usually increase their production by about as much as we cut back. Secondly, it denies the U. S. any expansion in foreign market share. This seems to be a no-win policy as it would leave our markets static or decreasing.

H.R. 4565 by its very nature requires cross compliance between crops. Cross compliance is extremely unpopular with farmers all over the country. It was one of the most despised provisions of the last law with the Normal Crop Acreage (NCA). Farmers were willing to sacrifice almost anything to rid themselves of cross compliance and offsetting compliance. Lack of these two features are very popular in the present law.

In summary, we don't believe H.R. 4565 allows enough flexibility to merit our support. In addition, it would tend to concede any growth in export markets to other producing countries. It also ignores almost half the acreage on many farms because soybeans are not included. It would also automatically return to the hated cross compliance. And finally, the payments limitation level would hinder the operability of H.R. 4565 or any farm law.

The key word in future farm programs to our members is flexibility. One of our directors recently stated: "It is doubtful if farmers can expect much help from government in the future; therefore, we must be able to earn our profits from production and sales. Consequently, it is imperative that any future farm program grant us enough flexibility to manage our farms to the best advantage."

Thank you and Congressman Stenholm for your continued concern and support for American agriculture.

Sincerely,

Cecil Williams, Jr.
Cecil Williams, Jr.
Executive Vice President


COTTON AND GRAIN PRODUCERS
of the Lower Rio Grande Valley

TELEPHONE 512 699-8488 • P. O. BOX 606 • RAYMONDVILLE, TEXAS 78066

April 27, 1984

The Honorable E. "Kika" de la Garza
 Chairman, House Ag Committee
 Longworth House Office Building
 Room 301
 Washington, D. C. 20515

Chairman de la Garza:

I respectfully request the following comments, directed toward Congressman Stenholm's bill H.R. 4565, be made a part of the Record.

The Bases and Yields System as proposed in H.R. 4565 was discussed at length during our meeting of the Board of Directors of Cotton And Grain Producers Of The Lower Rio Grande Valley, Inc., on April 26, 1984. The consensus of our opinion is that this bill does not adequately address the problem of either cotton bases or yields.

We feel that the current Base Acreage for U.S. cotton of 15.5 million acres is too large and without some method of reduction will only force the Secretary of Agriculture to continue to have to try and curtail production by means of an acreage reduction program year after year. There is little indication at this time that more than 12 million acres of cotton will be required in the foreseeable future if prices are to be maintained at a profitable level. Therefore the acreage reduction program in itself becomes less and less effective due to the payment limitation which prohibits the larger growers (who produce about 80 percent of our cotton) from participating.

We are also of the opinion that the use of Cotton, Feed Grain, Wheat, and Rice, as the only crops used in arriving at the Farm Acreage Base will cause undue hardship for thousands of farmers. This restrictive method of arriving at the F.A.B. will automatically eliminate any freedom of choice for farmers who plant other crops such as Soy Beans, our number 3 crop in the Nation.

Example:

Farm = = 200 acres.

Normally plants 100 acres Cotton
 100 acres Soy Beans.

His C.A.B. on cotton = 100 acres which automatically sets his F.A.B. at 100 acres. Therefore he has no means of ever increasing his cotton acreage or changing his planting pattern by planting Feed Grain, Wheat, or Rice, and participate in the program. The same, of course will apply any time the farmer has acreage normally planted to any crop other than Cotton, Feed Grain, Wheat, or Rice.

Another point that producers in our area can not comply with is Cross-Compliance or Off-Setting Compliance. In this bill, Cross-Compliance is automatic when the sum of the C.A.B.'s can not exceed the F.A.B.

In the Computation of Yields, we feel that the computation eliminating the highest and lowest yields of the past five years along with any year in which the commodity was not planted, is not adequate. We feel that the least that should be done in this section would be to change the word planted to "HARVESTED". We also feel that catastrophic disasters occur with greater frequency than "good years". Therefore the time period for calculating yields should be extended over a longer period than five years or it should be revised to only drop the low year.

I wish to thank you and the Committee for allowing this Statement to become a part of the Record, and to commend Congressman Stenholm for his efforts on behalf of agriculture.

Respectfully,


Charles W. Wofford
Executive Director

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